FINANCIAL TIMES

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WORLD NEWS

Algiers snubs European plan to help end bloodshed

Algeria rejected a planned visit by EU officials which marked Europe's first attempt to help end six years of bloodshed. Foreign minister Ahmed Attaf said: "This is a low-level delegation which is not appropriate to discuss important matters." Page 4

Fresh doubts over Baghdad
The American-led UN arms inspection team that has been blocked for a second day by Baghdad was investigating suspicions that Iraq tested chemical and biological weapons on prisoners, chief UN weapons inspector Richard Butler said. Page 14; Editorial Comment, Page 13

Israel hardens position
Israel decided most of the West Bank must remain under Israeli control in any deal with the Palestinians. The decision will make it harder for President Bill Clinton to break the deadlock in the peace talks when he meets Israeli prime minister Benjamin Netanyahu and Palestinian leader Yassir Arafat next week. Page 5

Turkey steps up pressure
Turkey's decision to include Turkish Cypriot officials in delegations and missions abroad is a warning to the EU to reconsider its plans for accession talks with Cyprus's Greek Cypriot government. Page 3

Greens hail court ruling
German environmentalists hailed a Berlin court ruling which threw out an attempt to reopen a nuclear power station near Koblenz. The decision was a setback for utility group RWE Energie. Page 2

Canadian immigration fears
A proposed overhaul of Canada's immigration rules has prompted concern from immigrant groups which say it would discriminate against people from countries where English or French is not spoken. Page 5

Pinochet delays departure
Former Chilean dictator and current army chief General Augusto Pinochet intends to delay his departure from the military, increasing tension between the government and the armed forces. Page 3

US apologises to Greece
The US ambassador to Greece apologised for America's failure to oppose Greece's 1967-74 military dictatorship. His comments were aimed at establishing a fresh view of the US, which is taking a higher profile in trying to ease disputes in the region.

Mexico cuts spending
Mexico announced sharp cuts in public spending as a result of an unexpected drop in world oil prices, which could deprive the exchequer of $2bn. Page 3

Handback by US possible
The US is willing to return part of the Thule military base if Denmark pays for more security, US ambassador Edward Elson said. Greenland, a semi-independent Danish territory, wants the return of a disused part of the base for tourism facilities.

Swiss bank sued
Christoph Meili, who lost his job as a security guard at a Swiss bank after rescuing Holocaust-era records from a paper shredder, is suing Union Bank of Switzerland for more than $2.5bn. Page 3; Labour camp claim rejected, Page 2

Smoking ban urged
Germany's drug tsar urged parliament's health committee to ban smoking in the workplace, but the proposal is opposed by the health minister who said a ban would treat office workers like children.

BUSINESS NEWS

Job losses loom as Hoechst's drugs arm cuts costs by 5%

Hoechst Marion Roussel, pharmaceuticals operations of German chemicals company Hoechst, is to cut costs by almost 5 per cent, making job cuts likely at its main centres in Germany, France and the US. Hoechst shares fell DM0.59 to DM64.86. Page 15

BMG Entertainment: The big record company – part of German media group Bertelsmann – is merging its three European operations into two and has recruited ex-Sony Music executive Richard Griffiths. Page 16

Olympique Marseille, the French soccer club controlled by Adidas chief Robert Louis-Dreyfus, plans to seek a stock market flotation within three years of a change in French law allowing sports clubs to become public limited companies. Page 16

Estonia's biggest banks, Hansapank and Hoiupank, are to merge via a share swap to create a Baltic financial services group with assets of more than Kr20bn ($1.4bn). Page 16

Tokyo landing slots: European and Japanese airlines have reacted angrily to a possible deal to redistribute used slots at Narita, Japan's main international airport, to US airlines. Page 9

Mitsubishi Electric, a leading Japanese chip maker, is cutting back on semiconductor making in the US by halting production at its North Carolina plant. Page 14

Rio Tinto shares surged after the Anglo-Australian mining giant outlined plans to buy back up to 10 per cent of its equity. They gained nearly 8 per cent in Australia and 2.2 per cent in London. Page 15; Lex, Page 14

Schroders, investment banking and fund management group, is to restructure its Asian securities operation, leading to 200 job losses. The move follows a lacklustre year capped by three months' market turmoil. Page 15

US consumer spending accelerated, with retail sales rising by a seasonally adjusted 0.7 per cent in December. Page 14; Personal View, Page 12

Reebok is retreating in the fight with arch sportswear rival Nike for supremacy in sports sponsorship. Reebok spent $400m and Nike $1bn on sports sponsorship last year. Page 15

Microsoft adjournment: The judge hearing a contempt of court case against software company Microsoft adjourned it to January 22. Earlier report, Page 4

Cadbury Schweppes shares jumped 52½p to 685p after Dr Pepper/Seven Up, US arm of the UK soft drink and confectionery company, struck a new bottling and distribution deal with Coca-Cola Enterprises. Page 20

Canadian telecoms group BCE is making a special C$2.9bn (US$2bn) fourth-quarter charge. The write-off will mean a big loss for the quarter but will not affect dividends, BCE said. Page 18

French buyback rules: France is likely to liberalise the rules about quoted companies buying back their own shares, in line with a stock market regulator's recommendations. Page 2

Sino Land, Hong Kong property developer, denied it faced financial difficulty after its shares plunged in the territory and London. It said a statement would be issued today. Page 19

Italy seeks to boost chance of a seat at Emu launch

Rome aims to bring forward publication of 1999 budget

By James Blitz in Rome

Italy yesterday sought to strengthen its attempt to join the first wave of states launching the single European currency by saying it would bring forward publication of outline plans for the 1999 budget.

In an attempt to reduce lingering concerns in Germany and the Netherlands over Italy's hopes to qualify this year for economic and monetary union, the Treasury said it hoped to publish outline details of its 1999 budget in mid-April – at least one month ahead of schedule.

Early publication of the outline would mean it was available for May's European Union summit, which will decide on the states that will launch the euro next year.

This would allow Italy to strengthen its argument that recent fiscal adjustments are proving sustainable.

The document is expected to announce fiscal tightening next year of L14,500bn ($8bn). For the first time in years, the Treasury is not expected to have recourse to a supplementary budget to make up for shortfalls in revenues.

Yesterday's announcement coincided with the publication of government details of the period over which it believes it can reduce its overall debt, currently at 122.5 per cent of gross domestic product. In a document to be presented next week to EU finance ministers, who will assess Italy's finances, the Treasury says it could bring the overall debt level down to 60 per cent of GDP – as required under the Maastricht treaty – in 12 years.

According to the document, leaked to Italian news agencies, overall debt will come down to this level if Italy achieves average GDP growth of 4.5 per cent, average interest rates of 5 per cent and an average primary surplus of 5.5 per cent of GDP over the period.

Assuming privatisation receipts of 0.5 per cent of GDP a year over the period, overall debt would fall below 100 per cent of GDP in 2002, reaching 60 per cent in 2009. Such calculations appeared designed to calm remaining worries among some of Italy's EU partners over its entry into Emu.

Earlier this week, German and Dutch papers reported that Gerrit Zalm, the Dutch finance minister, had privately indicated that he would resign if Italy was given the green light to enter Emu in May.

However, Professor Herbert Hax, head of the German government's economic advisers, was reported in La Repubblica newspaper yesterday as saying it was "inevitable" Italy would be admitted.

Indonesia's President Suharto (right) yesterday met US defence secretary William Cohen in Jakarta to discuss his country's economic problems and a new package agreed with the IMF which is likely to include revisions to last week's controversial budget. Report, Page 14 Picture, Reuters

EU banana quota plans encounter US opposition

By Emma Tucker in Strasbourg and Daniel Dombey in Brussels

Some of Europe's traditional banana suppliers in former colonial countries may lose out under proposals announced yesterday by the European Commission to bring its controversial import regime into line with World Trade Organisation rules.

The current system had been criticised as unfair by the US – and US officials immediately expressed doubts that the latest changes conformed with international trade law. "It is certainly not clear that these proposals as we understand them are consistent with the WTO ruling," said one. "We are examining all our options."

The measures put forward by Franz Fischler, the agriculture commissioner, aim to maintain the EU's obligations to traditional banana suppliers in African, Caribbean and Pacific (ACP) countries while meeting its obligations to the WTO, which last year upheld a challenge to the regime mounted by US and Latin American producers. They include measures for a 10-year modernisation to make production more efficient for traditional suppliers and scrapping the highly controversial import licensing arrangements.

Mr Fischler said the amount of money available to help the ACP countries would be decided after discussions on the EU budget in a few weeks, but acknowledged there would be losers among some of the producing countries. The Commission is likely to propose funding of no more than Ecu450m ($412.8m) – substantially less than amounts previously considered.

The reforms have to be approved by a qualified majority of the EU's 15 member states before they become operational. Continued assistance to the ACP producers reflects French and British concerns for their former colonies, which argued that abolition of the 1993 regime would lead to economic crises, possibly forcing producers to turn to drug production. Germany, and other EU countries with no ties to banana producers, always opposed the regime. Erwin Stier, an official at BDF, one of Germany's biggest fruit trading associations, condemned the Commission proposals, saying they would lead to rises in banana prices. "This is a terrible solution," he said. "We are going to fight."

Under the proposals, the existing tariff quota of 2.2m tonnes will be maintained at its present level and at the same rate of duty of Ecu75 per tonne. A further tariff quota of 353,000 tonnes at a duty of Ecu300 per tonne will be established to take account of the accession of Sweden, Finland and Austria to the EU and ensure adequate supplies to the market, said the Commission.

The maximum quantity for traditional ACP imports will be maintained at the present level of 857,700 tonnes at zero duty.

"We have not the slightest doubt that our proposals are WTO compatible," said a Commission official.

Brent Spar faces 'Norwegian solution'

By Tim Burt in Oslo

The Brent Spar offshore platform may be dismantled in a fjord on the west coast of Norway, more than two years after an environmentalist outcry persuaded Royal Dutch-Shell, its owner, to abandon plans to dump it at sea.

Kjell Magne Bondevik, the Norwegian prime minister, said he believed a "Norwegian solution" would be found for the 14,500-tonne oil loading buoy moored in the Erfjord.

He confirmed that Norway had dropped its opposition to the platform being dismantled on its territory – a move described by Shell UK Exploration and Production, the oil group's UK subsidiary, as a "significant step".

"I think it will be disposed of in Norway," said Mr Bondevik. He declined to comment on which disposal option the government preferred.

Shell Expro is expected to publish its preferred disposal option in recommendations to the UK Department of Trade and Industry this month.

The recommendations will draw on a technical report by Det Norske Veritas, the Norwegian classification and inspection society, which outlined its findings last October after a study of eight possibilities, including the original deep-sea plan.

The disposal of Brent Spar could set a precedent for handling ageing platforms after decommissioning.

Shell Expro declined to release any details of its recommendations for Brent Spar but said its decision would be subject to a full consultation process and government approval.

But Norwegian officials expect Shell Expro to back a plan from Wood-GMC, an Anglo-Norwegian consortium, in which the structure would be cut into rings and the segments used to reinforce a new quayside in Stavanger.

Det Norske Veritas cited the plan as one of the most energy-efficient and least environmentally damaging, although it was one of the more expensive at £21.5m ($35m) compared with £4.7m for deep-sea disposal.

Nevertheless, Kvaerner, the

Continued on Page 14

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,714.69	(-17.44)
NASDAQ Composite	1,540.15	(-1.48)
Europe and Far East		
CAC40	2,919.90	(+16.87)
DAX	4,190.68	(+39.60)
FTSE 100	5,106.9	(+23.0)
Nikkei	15,121.98	(+356.94)
US LUNCHTIME RATES		
Federal Funds	5.5%	
3-mth Treas Bills: Yld	5.105%	
Long Bond	105½	
Yield	5.712%	
OTHER RATES		
UK: 3-mo Interbank	7½%	(7⅝%)
UK: 10 yr Gilt	108.9688	(108.910)
France: 10 yr OAT	106.93	(106.94)
Germany: 10 yr Bund	106.88	(106.94)
Japan: 10 yr JGB	108.55	(108.54)
NORTH SEA OIL (Argus)		
Brent Dated	$14.935	(15.00)

GOLD		
New York: Comex		
(Jan)	$281.9	(283.3)
London:	$281.35	(280.65)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6305	
DM	1.82275	
FFr	6.1017	
SFr	1.4825	
Y	131.185	
London:		
£	1.6307	(1.6329)
DM	1.8228	(1.8213)
FFr	6.1021	(6.0987)
SFr	1.4826	(1.478)
Y	131.55	(131.835)
Tokyo close	Y 130.80	
Sterling		
DM	2.9724	(2.9738)

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Inside

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European Commission gives Frankfurt three months to meet airline complaints

Airport told to dismantle monopolies

By Emma Tucker in Strasbourg

Frankfurt airport was yesterday given three months to dismantle monopolies it holds over a wide range of airport services, including baggage handling and the provision of airline meals.

The European Commission ordered the airport authorities to act after complaints from Air France, KLM and British Airways that the airport was abusing its dominant position by not granting them the right to provide the services themselves, or giving other companies the right to do so.

The areas where the airport has to open up to competition include runway operations, refuelling, the handling of freight and postal service, and cleaning. The airport had argued that constraints on space and capacity justified its monopoly.

The decision is in line with European Union legislation designed to liberalise ground handling in all EU airports that handle a minimum of 1m-3m passengers a year, or at least 25,000-75,000 tonnes of freight.

The Brussels competition authorities agreed to give Frankfurt a partial reprieve for its Terminal One, where heavy reconstruction is being carried out. The eastern part therefore has until January 2001, but the western part will have to allow self-handling (by rival airlines) immediately and a third party handler by January next year. The same applies to Terminal Two.

The smaller airport at Düsseldorf was given until end-1999 to liberalise its ground handling services. This decision recognises capacity constraints created at the airport by a fire in 1996.

Under EU legislation monopolies on ground handling will have to be phased out by 1999, but airports are allowed to apply for two-year exemptions.

Duopolies have to be abolished by 2001. The legislation has been attacked by the EU airline industry as insufficient, on the grounds that it fails to address the objective of ground handling deregulation, which was to give airlines control over all handling costs.

German publishers and bookshops also came under fire from the Commission yesterday, after Brussels decided to open an investigation into the way they and their Austrian counterparts fix book prices.

The Commission believes the book industry should explore other ways of supporting a policy of "ambitious" literary publication rather than through direct subsidies. The Commission probe follows a request by the publishers in 1993 for an exemption from competition rules.

German nuclear reactor must stay shut

By Ralph Atkins in Bonn

German environmentalists yesterday hailed a Berlin court ruling which threw out an attempt to reopen a DM7bn ($3.8bn) nuclear power station near Koblenz on the Rhine that has stood silent for almost 10 years.

The decision was a substantial setback for RWE Energie, the Essen-based utility group, which has incurred heavy costs in developing and then mothballing the power station at Mülheim-Kärlich.

The power station was closed in 1988 after just 10 months' operation, in response to complaints that it was unsafe because it had been built in an area prone to earthquakes and that the approvals process had been faulty. Its long stagnation highlights the scale of German opposition to nuclear power. Germany has 20 nuclear power stations in total, including the Mülheim-Kärlich plant.

RWE, which has run up large legal bills, faces a choice of restarting the lengthy and costly approvals process, or cutting its losses and concentrating on suing for damages. The company said yesterday it would not take an immediate decision but would wait to study the court verdict in detail.

"We can't understand this decision. The operation of one of the world's safest power stations is being blocked again on purely formal legal grounds," said Werner Hlubek, RWE Energie board member. The judgment was also a setback for Germany's economic competitiveness.

But the ruling was welcomed by the opposition Social Democratic party (SPD) and Greens, who could form a coalition in Bonn after federal elections on September 27. Michael Müller, the SPD's environment spokesman in parliament, said: "Supporters of giant atomic power stations should be sent quickly into retirement."

Ursula Schönberger, atomic policy spokesman for the Greens, said the Berlin judgment was "a victory of ecological reason".

The ruling was also a personal embarrassment for Helmut Kohl, Germany's chancellor, who was prime minister of Rhineland-Palatinate – the federal state which includes Mulheim-Kärlich – when the first approvals for the power station were granted in 1975.

Last year, Germany's supreme court ruled RWE could file for losses incurred after July 1977 only when revised plans were approved.

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An unemployed protester wearing a mask of Lionel Jospin, prime minister, this week Reuters

France likely to liberalise buyback rules

By Andrew Jack in Paris

France is likely to liberalise the rules governing the right of quoted companies to buy back their own shares, in line with recommendations issued by a senior executive of the country's official stock market regulator.

Bernard Esambert, a member of the Commission des Opérations de Bourse (COB), called yesterday for legislation allowing companies to buy back and cancel up to 10 per cent of their capital.

The action could pave the way for a wave of buybacks, following the trend in the US, the UK and other financial markets in the last few years. The procedure allows companies to boost earnings per share by cutting the number of shares which are quoted, and returning surplus profits to investors.

A number of French companies have already announced plans to buy their shares for cancellation, including Scor, the reinsurance group, Elf Aquitaine, the oil group, and Seita, the tobacco group.

However, strict regulations and penalising tax charges mean the process is fraught with difficulties at present, putting companies quoted on the Paris stock exchange at a disadvantage to competitors listed on other stock markets.

The new recommendations are similar to those made in an influential report issued in 1996 by the centre-right French Senator, Philippe Marini, on reforms to company law. But these recommendations were frozen after the election of the leftwing coalition government last May.

Mr Esambert said yesterday that since he began examining the subject last July, he had met no objections during his talks with government officials and market operators.

The principal obstacle to swift changes in the buyback rules could be the government's heavy legislative schedule.

French unemployed to continue protests

David Owen in Paris

Representatives of France's unemployed vowed yesterday to continue the national movement that has rattled the Socialist-led government in recent weeks, and urged students and workers to join them on Saturday in new nationwide demonstrations.

"Faced with the arrogance of the Patronat [the main employers' federation], the silence of Unedic [the country's unemployment insurance committee], and the absence of new government proposals, a movement absolutely must continue," the four leading unemployed associations said in a joint statement.

The government of Lionel Jospin, prime minister, has taken comfort in the fact that the movement, though garnering much publicity, has not so far spread to other groups. The extent to which students and workers participate in Saturday's events may thus be seen as a gauge of whether the protest, in support of higher benefits for France's 3.1m unemployed, is finally running out of steam.

The pro-Communist CGT trade union, which has played a prominent role in many of the protests, said yesterday that it would "engage fully" in the new demonstrations and urged other unions to participate.

In a new measure of public attitudes to the protest, a BVA survey indicated that 52 per cent of French people thought the unemployed did not receive too many benefits, with 41 per cent holding the opposite view.

Meanwhile, a Communist-proposed measure increasing aid for some older unemployed people was passed unanimously in the National Assembly.

In another important test for the government, negotiations got under way yesterday between Emile Zuccarelli, civil service minister, and representatives of France's more than 5m civil servants.

The government is aiming to secure a two-year agreement covering 1998 and 1999 by the end of this month. The shape of the settlement will have an important bearing on France's ability to meet its budget targets.

Mr Zuccarelli warned that if a deal was not reached, the government would take unilateral measures that would be "less favourable for the civil servants and for this country". Civil servants had legitimate expectations, he said, pledging not to make them "a scapegoat of the crisis".

'Fast-track' justice for soccer thugs

By Jimmy Burns

The French government plans to use a system of "fast-track" justice to deal with soccer hooligans during this summer's World Cup tournament.

It also claimed yesterday to have introduced a specially secure ticketing system, making it very difficult for tickets for matches to be bought on the black market.

Details of security arrangements for the tournament were announced by French officials to stem growing fears among British soccer and police officials about the risk of violence breaking out during the tournament.

According to French officials, a state prosecutor will be present at each match, liaising with police, and with the powers to act swiftly against offenders.

Dominique Spinosi, director of security for the tournament's organising committee, said tickets would be made available to French supporters only three weeks before the match.

"If there is trouble in a certain seat, we will know who the ticket for that seat was sold to," she said, after pledging that police would use all force necessary to deal with any trouble.

The arrangements were announced after a meeting in Paris involving French security officials, British police officers and representatives of the English and Scottish football associations.

Sir Brian Hayes, the English Football Association's security adviser, said he was concerned by the small number of tickets which the French were making available to English fans for the opening matches of the tournament. The FA believes this will fuel a black market.

No 'second breath' for Czech reform

Robert Anderson on continued political instability that threatens the economy

Czech politicians have spent the last few weeks dreaming up ways to cut short the current parliament's term without violating a constitution that did not envisage it ever being necessary.

The long delay and, even more, the prospect of another five months of weak government threatens to hold back the country's transformation just when the last government had begun to realise how far the country had fallen behind its neighbours and reform was beginning to pick up some momentum.

"The transformation process stopped half way," said President Vaclav Havel in a speech to parliament last month. "It is high time that our economic transformation caught a second breath."

After a currency crisis last May – precipitated by a current account deficit of more than 8 per cent of gross domestic product – the government of Vaclav Klaus reacted with plans to speed up privatisations and reform the capital markets. But politics intervened and Mr Klaus was forced to step down at the end of November over a political party funding scandal.

Now the caretaker government will proceed with the proposals that are already working their way through parliament, such as the creation of a stock market watchdog which was approved on Tuesday. But because it lacks the strong support of the two main parties, it will not be able to promote privatisation and is not likely to be able to make real progress on legal and administrative reforms which are necessary to improve the country's economic performance and prepare it for entry to the European Union.

The fall of Mr Klaus, who had dominated Czech politics for six years, had been predicted ever since the inconclusive elections of 1996. But that has not made it any easier for the country's politicians to agree how to rebuild a stable government.

Initial hopes of re-creating the fractured coalition under a new prime minister after Mr Klaus's resignation were frustrated by his determination to continue as leader of his Civic Democratic party (ODS), which he achieved by winning re-election last month.

Further weak government threatens to hold back the country's transformation

A caretaker government and early elections were then seen as inevitable but it has only been this week that the new technocrat-led administration and the main parties have in principle agreed to hold elections in June.

The politicians have not just been lacking a sense of urgency over the need to end the political instability, they have also refused to take responsibility for guiding the country in the interim and have left government to a motley collection of technocrats, politicians from minor parties and ODS rebels.

President Havel, who had been planning for such a political stalemate, played a key role in putting together the cabinet, in the end persuading Josef Tosovsky, the central bank governor, to step into the breach.

"Both main political parties are now in opposition," says Ivan Gabal, a political analyst and campaign manager in 1990 for Mr Havel's pro-democracy Civic Forum movement. "The politicians don't feel a responsibility to pull the country out of the mess."

Jiri Pehe, President Havel's political adviser, argues that the nature of the political transition and the party list-based electoral system make the parties closed, elitist and unwilling to co-operate. "They are like sects," he says. "They are unable to talk to each other."

After Mr Klaus carved the ODS out of Civic Forum in 1992, he dominated the political scene and rubbished any "third way" for the country to progress from communism. Milos Zeman, who has a poor personal relationship with the acerbic former premier, built up a social-democrat alternative by launching fierce rhetorical attacks on the government, particularly over alleged corruption, the issue which finally destroyed Mr Klaus's coalition.

Both leaders try to paint themselves as diametrically opposed, even though the ideological battleground they contest is a narrow one, and therefore a grand coalition of parties is ruled out.

They have also both individually refused to join a caretaker government. Mr Zeman prefers to take responsibility when he is voted in. Mr Klaus feels no need to sit down with the plotters who brought down his government.

Mr Tosovsky is still not confident of winning a vote of confidence scheduled for January 27 as the two main parties try to impose conditions for their support which threaten to tie his hands. Mr Zeman in particular has won an undertaking that privatisation of the three remaining large state-owned banks will be left to the next government.

In his speech Mr Havel said the country's economic performance had been damaged because it had "behaved like the spoiled child in a family, or the top of the class who believe they can give themselves an air of superiority and be everyone else's teacher".

It now looks like it will have to pay an economic price for the demolition of that arrogance as the right wing regroups and the leftwing prepares for the opportunity to lead the country into its third phase of transition from communism.

NEWS DIGEST

Rioters gassed in Montenegro

Montenegro's political crisis erupted into violence last night when supporters of the Yugoslav president, Slobodan Milosevic, tried to storm the main government building and were driven back by riot police firing volleys of teargas.

Several thousand demonstrators whipped up by Momir Bulatovic, the outgoing president of Montenegro and a Milosevic ally, marched down the main boulevard in the capital, Podgorica, to government offices used by their rival, the pro-western prime minister Milo Djukanovic.

Montenegro is the smaller of the two republics which make up federal Yugoslavia. The other is Serbia, of which Mr Milosevic was president until last year.

Mr Bulatovic has accused his reformist opponent of rigging presidential elections last October. Mr Djukanovic is due to be sworn in as the new president today, but his supporters feared that Mr Bulatovic, in his last hours of office, would try to create a pretext to call a state of emergency.

The mob hurled abuse and rocks at the pro-Djukanovic police force guarding the building, but were driven back by teargas and percussion grenades. Several gunshots were heard and explosions echoed through the city of 100,000 people. *Guy Dinmore, Podgorica*

■ GERMAN INDUSTRY

Austrians 'agreed steel sale'

The government of Lower Saxony headed by Gerhard Schröder, a possible Social Democratic chancellor candidate in September's federal elections, moved last week to buy a local steel business just as it was close to being sold to an Austrian group, it emerged yesterday.

The Voest Alpine steel group confirmed it had struck a basic agreement to buy Preussag Stahl which was "practically ready to sign". It expressed surprise that the business had instead been sold to the Lower Saxony government and the publicly owned Norddeutsche Landesbank.

The state government defended its move, saying Mr Schröder's intention was to ensure that "decision-making responsibilities" at Preussag Stahl remained in the federal state. Under a deal expected to be concluded at the end of February, the state and Norddeutsche will initially acquire a 51 per cent stake in Preussag Stahl. The remaining shares would be transferred later. Lower Saxony is understood to have offered to match Voest Alpine's bid, thought to have valued Preussag Stahl at DM1.3bn ($720m). *Ralph Atkins, Bonn*

■ RUSSIAN CRIME

Bomb 'aimed at governor'

Eduard Rossel, one of Russia's most powerful regional leaders, was yesterday the target of an apparent assassination attempt when a small bomb exploded near his passing car. No one was hurt in the incident.

Mr Rossel, governor of the Sverdlovsk region in the Urals, where Boris Yeltsin cut his political teeth, styles himself as a pragmatist whose overriding concern is to get his industrial region moving again.

But Yekaterinburg, the region's capital, acquired an infamous reputation in the early 1990s as a centre of organised crime. As a series of recent attacks on government officials have shown, Russia's criminal bosses appear increasingly prepared to challenge local administrations. Last August, Mikhail Manevich, deputy governor of St Petersburg, was shot dead by a sniper.

Mr Rossel's press secretary said he was convinced the explosion was directed at the governor. "Such a coincidence cannot be," he said. "If it was hooliganism, then what kind of hooliganism is it that is directed against the governor?" *John Thornhill, Moscow*

■ BUNDESWEHR EXTREMISTS

Neo-Nazi barred from inquiry

Manfred Roeder, the convicted neo-Nazi at the centre of a storm surrounding the German army, was barred from entering the parliament building in Bonn yesterday as a committee of MPs began an investigation into far-right extremism in the Bundeswehr.

Mr Roeder was not allowed in on the grounds that the hearing was not public and he did not have a pass. He told reporters that conservative values were being blackened as "neo-Nazi or far right".

The inquiry was set up after the revelation last month that Mr Roeder, who was convicted and jailed for terrorist activities in the 1980s, had given a speech about resettling ethnic Germans in eastern Europe to the Bundeswehr's elite academy in Hamburg in 1995.

Opposition parties sought a wide-ranging inquiry but MPs in the ruling Christian Democratic party of Helmut Kohl, chancellor, suggested the committee's formation was part of a "din" ahead of Germany's federal elections in September. *Ralph Atkins, Bonn*

■ RUSSIA AND UKRAINE

Kiev ratifies treaty

Ukraine's parliament ratified a friendship treaty yesterday with neighbouring Russia, more than six years after the two countries were separated after the Soviet Union's demise in 1991.

The foreign minister, Hennady Udovenko, told the chamber that the 317 to 27 vote of approval for the document, signed in Kiev last May, was an historic moment. "This document has solidified not only firm international obligations - to respect Ukraine's independence and sovereignty - but has become the legal basis on which mutual relations will be based in various areas," he said.

Ukraine's prime minister, Valery Pustovoitenko, said the agreement would provide for the stable growth of trade relations between the two countries. Russia accounted for 47 per cent, or $28bn, of Ukraine's trade last year, he said.

Earlier this week, Kiev and Moscow agreed to scrap value added taxes on their goods, and Ukrainian officials said it would boost exports to Russia by 20-25 per cent.

Ukraine's parliament asked its Russian counterpart to make ratifying the treaty a priority. *Reuters, Kiev*

■ SWISS WAR RECORD

Labour camp claim rejected

Switzerland yesterday rejected as "outrageous" allegations that it treated Jewish refugees like slaves in forced labour camps during the second world war.

"We think that the term 'slave labour camps' is outrageous and dishonest," said a spokeswoman for the government task force handling charges about the country's wartime past.

She was responding to a highly critical historian's report compiled for the Los Angeles-based Simon Wiesenthal Centre and released on Tuesday.

Entitled "The Unwanted Guests – Swiss Forced Labour Camps 1940-1944", the report by the US historian Alan Schom said that thousands of Jews entering Switzerland had been forced into labour camps where they toiled at gunpoint for little or no pay.

The spokeswoman for the government task force said that refugees had been able to leave the camps in the evenings and at weekends, and that many had attended university. Jews had been treated no differently from any other refugees. "Labour camps in Switzerland were by no means concentration camps and they were not prisons," she said. *Reuters, Zurich*

Turks step up Cyprus pressure

By Kelly Couturier in Ankara

Turkey's decision this week to include Turkish Cypriot officials in Turkish delegations and missions abroad is a warning to the European Union to reconsider its plans for accession talks with Cyprus's Greek Cypriot government.

The decision, announced in an agreement between Turkey and the self-styled Turkish Republic of Northern Cyprus, signals that Ankara has every intention of stepping up integration with northern Cyprus if the the south's EU talks go ahead.

The US and EU are keen to broker a settlement this year for Cyprus, which has been divided since 1974 when Turkish troops occupied the northern one-third of the island in response to a Greek-backed coup.

But Turkey has been highly critical of the EU since the Union confirmed last month that it intended to begin talks with the internationally recognised Greek Cypriot government. Turkey's prime minister, Mesut Yilmaz, angrily declared that the "EU would be responsible for the ultimate division of Cyprus".

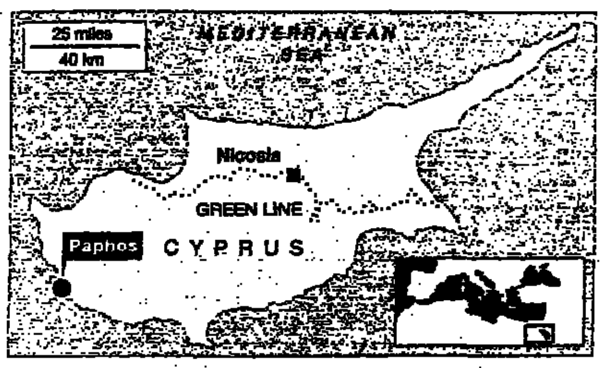
The agreement on joint Turkish-Turkish Cypriot diplomatic missions builds on a declaration last July in which Turkey and northern Cyprus announced measures toward further integration in the fields of defence, the economy, finance and diplomacy. The declaration stopped short of calling for annexation, stating that the Turkish Cypriot entity would continue to exist as an "independent state".

Turkey, which maintains 35,000 troops in the north, has long pledged as a matter of national honour to defend its Turkish Cypriot neighbours from attack.

Tensions have risen on the island since the Greek Cypriot government announced last year the purchase of a Russian S-300 missile defence system, due to be delivered next summer. Turkey has warned it will take military action to prevent the missile deployment.

In response to a Greek Cypriot announcement that an air base would soon be opened in Paphos in southern Cyprus, the Turkish Cypriot newspaper Kibris reported this week that Turkey planned to counter the move by building two naval bases on the east and west coasts of northern Cyprus. Turkey would also transform a small airport in the eastern Famagusta region into a military air base, it said.

A Foreign Ministry spokesman did not confirm the Kibris newspaper report, but reiterated Turkey's intention to take "whatever measures deemed necessary".



A hundred days on the slalom

Buoyant economy helps Norway's minority coalition, reports Tim Burt

Kjell Magne Bondevik intends to celebrate his first 100 days as prime minister of Norway by proclaiming that his minority coalition has laid the foundations for an era of "good government" in the oil-rich kingdom.

The former pastor, and Christian People's party leader, says his administration will demonstrate how one of the world's richest economies can use its wealth to improve living standards at home and abroad.

In his first international newspaper interview since taking office last September, Mr Bondevik made plain that Norway would divert more of its oil surplus to improving care for the elderly and family benefits at home, while substantially increasing overseas aid spending.

"My two big concerns are how to improve the moral values and health of Norwegian society, and at the same time help developing countries with more aid," he said.

All this is uncontroversial stuff. But the prime minister's plan to set up a "Values Commission" to re-examine how best to administer Norway's generous welfare system has won acclaim among voters, with opinion polls showing strong support for the scheme.

Moreover, international aid organisations have welcomed his proposals to lift the proportion of gross domestic product devoted to aid spending – already the world's highest – from 0.8 to more than 1 per cent. That could push the country's annual aid budget up to NKr13bn ($1.7bn) a year.

Such policies have won broad support from parliament, where the coalition of the Christian People's party, Liberals and Centre party assumed power after winning less than 26 per cent of the vote at last September's general election.

Mr Bondevik knows he is on safe ground by emphasising such initiatives. More important, he is aware that the coalition risks political suicide by confronting either the Labour party on the left or the Conservatives and Progress party on the right with radical ideas.

"We cannot be as bold as we would like to be. That is the political reality," he said. "But we have come through the first three months without serious problems and shown that we can deal with both left and right."

That manoeuvring has led to the coalition being dubbed the "slalom government". In order to get its autumn budget approved, for example, it negotiated first with its Labour party predecessors and then with its Conservative and Progress party rivals to agree a formula.

It is a process made easier by Norway's happy economic circumstances. Politicians may bicker about particular policies, but none wants to risk derailing an economy which enjoyed growth last year of 3.9 per cent. Inflation and interest rates remain relatively modest, and unemployment low.

Given that the oil surplus for 1997 is expected to reach almost NKr58bn, Mr Bondevik certainly finds himself in a comfortable situation. But he said his government would not leave the economy to steer itself.

The government is constrained but not cornered by its minority hold on power. The prime minister rejects opposition suggestions that real power has passed from the government to parliament. "We can take many decisions without referring to parliament, and are doing so. The art is to use influence and persuasion to win our case."

The government could face its first real test this spring, when it intends to ban the proposed construction of two gas-fired power stations on Norway's west coast.

For Mr Bondevik, the move will demonstrate that Norway is serious about cutting harmful emissions. But Labour and Conservatives support the project. Without the backing of one side or the other, the government could be defeated.

However, this is one area where the prime minister appears prepared for a confrontation. The environment is a central plank of his programme. He is determined not only to halt the power station projects, but also to increase taxes on polluting industries and vehicle users.

"There is ongoing work in the ministry of finance about changes in the taxation system, which will increase the burden on polluters through a switch to green taxes."

Mr Bondevik is gambling that parliament will adopt his environment initiative, if in return the government shows it is prepared to drop the more radical policies proposed during the election campaign. The Centre party, for example, has moderated its plea for Norway to cut oil output by 10 per cent a year, and the Liberals have pulled back from more draconian tax proposals on car use.

"Going for consensus is not a weak position to start from," Mr Bondevik said. "We have already made our mark in the first 100 days and shown that we can find solutions that suit us."


Bondevik: "improving the moral values and health of society" Bert Roos

Party revolt threatens Romania coalition

By Anatol Lieven

The Romanian coalition government and its reform programme were in danger of collapse yesterday after leaders of the Democratic party (PD) demanded the replacement of the prime minister, Victor Ciorbea.

They said that if the cabinet was not changed by March 31, the PD would withdraw its support and seek early elections. They accused Mr Ciorbea of having shown himself incompetent to carry out reforms and of having ignored the PD when formulating policy.

The revolt throws responsibility for solving the crisis into the hands of President Emil Constantinescu. Like Mr Ciorbea, he belongs to the main government party, the National Peasants. He may be the only one who could persuade Peasant leaders to swallow their pride and nominate a replacement for Mr Ciorbea. Among possibilities being suggested are the finance minister, Daniel Daianu, and the head of the government secretariat, Remus Opris.

The long time-frame given by the PD suggests that its leaders do not want early elections, which most analysts think they would lose. However, they are frightened by the fall in their popularity ratings, and those of the government. They may therefore try to avoid elections, while escaping blame for painful reforms by withdrawing from the government but continuing to support it in parliament.

Continual wrangling in the coalition has already seriously delayed reforms and damaged investor confidence. An International Monetary Fund team is due in Bucharest next week to discuss the reform programme.

The IMF and World Bank are insisting on the closure of loss-making industries and the restructuring of the state-owned utilities as a prelude to their privatisation. This has been strongly opposed by the powerful trades unions and by lobbies from the industries concerned, which are represented in all the main parties.

One western diplomat suggested that even if the present split is papered over, the prospects for reform may be poor. "To push reforms through requires unity and solid parliamentary support, and there can be no certainty these will be forthcoming whatever happens in the next few weeks."

Sacked security guard to sue UBS

By William Hall in Zurich

Christoph Meili, the Swiss security guard who blew the whistle on UBS after he caught it illegally shredding its wartime archives, has launched a SFr3.8bn ($2.6bn) lawsuit against Switzerland's most powerful bank.

Mr Meili, 29, who has become a media celebrity since he fled to the US last April, announced what must be one of the biggest lawsuits for wrongful dismissal in front of UBS's North American headquarters yesterday.

"As we tried to do the right thing for Switzerland and for history, UBS tried to destroy our lives," said Mr Meili. He is being advised by Edward Fagan, a leader of the multi-billion dollar class actions launched by Jewish Holocaust survivors against the big three Swiss banks.

Mr Meili, who was employed by an outside security firm, lost his job last January as a night watchman after he rescued some of UBS's wartime records which were about to be shredded.

He appeared to have broken Swiss bank secrecy laws after he took the documents from the UBS premises and gave them to a Jewish group, which publicised the fact that UBS had broken a government ban on the shredding of wartime documents.

The publicity surrounding the Meili case has been a nightmare for UBS. It has prompted several US states to boycott the bank's US activities and helped destroy the reputation of Robert Studer, UBS's chairman, who refused to apologise to Mr Meili.

Mr Meili is seeking SFr60m damages for himself and his family and wants the rest of the money to go to the proposed Swiss solidarity fund, which is to be financed from the revaluation of part of Switzerland's giant gold reserves.

NEWS: INTERNATIONAL

Algiers snubs EU bid to end bloodshed

Level of representation was not appropriate, says foreign minister

By Roula Khalaf in London and Emma Tucker in Strasbourg

The Algerian government yesterday rejected a planned visit by senior European Union officials which marked Europe's first attempt at helping to bring an end to six years' bloodshed.

Ahmed Attaf, Algerian foreign minister, said the level of representation on the mission – regional directors of foreign ministries of Britain, Luxembourg and Austria – was inappropriate. He complained the EU did not appear ready to offer help on fighting terrorism.

"This is a low-level delegation which is not appropriate to discuss important matters that could have been discussed," he said. The EU, whose proposed mission was aimed at exploring ways Europe could help end the violence, said it was disappointed at Algeria's move.

Robin Cook, foreign secretary of the UK, which holds the six-month EU presidency, said the EU was determined to engage the Algerian government in dialogue. "The level of the visit should not be a sticking point. We are ready to discuss with European partners the idea of a ministerial mission if Algeria would accept it."

EU officials said Algiers was expecting a ministerial-level visit. Last week, Mr Attaf had welcomed the mission on condition it focused on co-operation in the fight against terrorism. The army-backed government, which blames violence on Islamist extremists, accuses some European countries of harbouring terrorist networks.

Yesterday, Mr Attaf said: "We have recently been faced with reservations and hesitations from our European partners and we have been told that the EU is not ready to offer help in dealing with combating terrorism. They said this needs further discussion at the EU."

The Algerian government's rejection shows its sensitivity to any hint of foreign interference in its conflict, and the difficulties faced by western governments under pressure from public opinion to work for an end to the almost daily massacres of civilians. More than 1,000 people are estimated to have been killed in the past two weeks; more than 60,000 have died since 1992.

Analysts said yesterday Algiers' rejection would create less sympathy for the government among European policy makers, and could raise pressure for a less gentle approach in dealing with Algiers. "It is embarrassing for the EU and will add an element of distrust of the Algerians," said one European official.

"There is disappointment officially and disarray unofficially at the Algerian reaction," he added. "No one had designed a reaction to the possibility of rejection."

At a time when human rights organisations are raising questions about the massacres and calling for independent investigations, EU officials this week were treading very carefully and trying to assuage Algiers' concerns. Earlier, Mr Cook said he saw no evidence to support allegations of involvement by the Algerian security authorities in the massacres.

Moreover, according to EU officials, the mission had a broad mandate, which did not rule out co-operation over terrorism; they made clear that there was no attempt at acting like an commission of inquiry.

Khatami builds his political authority

Despite continuing public scepticism from conservative hardliners over his call for a dialogue with the US, Iran's President Mohammad Khatami has made a significant breakthrough in reinforcing presidential authority over a whole gamut of policy-making areas as a result of his CNN broadcast last week to the American people.

The most immediate result of his broadcast, according to Iranian analysts and senior western diplomats in Tehran, is the widespread acceptance among Iranians of the principle of a dialogue with the US, and the remarkable speed with which this transformation in Iranian attitudes has taken place.

But even more important in the long run is that Mr Khatami has enhanced his own authority not only in the conduct of foreign policy, where a president's authority is traditionally subordinate to that of Ayatollah Ali Khamenei, Iran's spiritual leader, but also in the *majlis* (parliament), where he has to win the support of rival conservative factions in order to implement economic structural reforms.

In a country where newspapers play the role of political parties, which are banned, not one radical opposition publication challenged the president's right to take the initiative, not simply on a matter of foreign policy, but on the one single issue, relations with the US, which has been considered for the last 20 years too sensitive even to mention among Iranians except in the most firebrand terms.

Now Iranian officials are encouraged to see their US counterparts accept "their share of responsibility" in mutually hostile relations. "The fact that US politicians have admitted they are partially responsible for the disputes between the two countries is a new development requiring attention," Mahmoud Mohammadi, foreign ministry spokesman, said.

"Relations with the US," commented publisher Sadegh Samii, "have now moved into the area of 'ping-pong' diplomacy akin to the Nixon-Kissinger era in the 1970s with China. It may be a long and difficult road, but with the president's broadcast Iran-US relations are going in the right direction."

Many Iranians hope, but fewer expect, that President Bill Clinton will reciprocate with a broadcast to the Iranian people.

The US has however, already toned down its objection to Iran's opposition to the Middle East "peace process".

With 2.5m Iranians living in the US, of whom more than 1m are in Los Angeles – known to many Iranians as "Tehrangeles" – "no one in the US can say that we cannot talk to these people, most of whom have never been to Iran and know nothing of their country of origin," commented Mr Samii.

He and others expect the US to relax visa restrictions, not only for Iranian scholars and artists referred to by Mr Khatami, but for other Iranians, as well, who just want to visit friends and relations.

Iran's official news agency said yesterday a US team would be taking part in a "freestyle" wrestling tournament next month, one of a series of events marking the anniversary of the revolution.

But the big sporting occasion is to be the Iran/US soccer finals in France this summer.

"Better relations with the Clinton administration," noted one businessmen, "could undercut the US congressional obsession with sanctions and help Iran in the international financial community."

This in turn should help the government's efforts to stabilise the currency. Narrowing the gap in the Iranian riyal between the official and unofficial rates is an essential precondition, businessmen say, for the recovery of the private sector.

Arresting the haemorrhage of Iran's currency, and wider economic restructuring, are also key planks in Mr Khatami's reform programme, which helped hoist him to the presidency in a landslide victory last May.

Mr Khatami inherited from his predecessor, Hashemi Rafsanjani, a declining currency which oscillates between a "preferential" official rate of IR1,750 to the dollar, and a real market rate approaching IR5,000; compared with IR70 to the dollar at the time of the 1979 Islamic revolution.

But Mr Khatami's ability to take drastic action is curtailed under the constitution by the role of the *majlis*, which alone has the power to authorise any changes in economic policy.

Now, however, Mr Khatami's perceived ability to enhance the aura of presidential power, may help him to win over the majority conservative factions in parliament.

Earlier this week he won their support for $6.8bn of foreign financing for oil and gas development projects in the next financial year, starting on March 21. This is just the start, analysts say, to winning their endorsement for next year's budget as a whole, and to the economic reforms which will have to follow.

Robin Allen

US dialogue: Mohammad Khatami, Iran's president, during his groundbreaking interview

Harare minister attacked over unrest claim

Zimbabwean business and opposition leaders yesterday criticised a cabinet minister who accused the country's white business community of plotting to sow social unrest through indiscriminate price increases, Reuters reports from Harare.

They also condemned Chen Chimutengwende, information minister, for warning white commercial farmers that they might be killed by landless blacks if they continued to oppose President Robert Mugabe's controversial plans to seize their land for a peasant resettlement scheme.

The Commercial Farmers Union (CFU), the Confederation of Zimbabwe Industries (CZI) and the opposition United and Zanu-Ndonga parties said the minister's statements were irresponsible and inflammatory.

In an interview published by the official Sunday Mail newspaper, Mr Chimutengwende charged that Zimbabwean whites were scheming to cause social unrest by raising consumer prices.

"The government is aware of the plot by some white businessmen. I would like to warn them that they will not succeed in making the lives of the masses unbearable," he said."

Many manufacturers and retailers raised the price of basic commodities by between 17 and 42 per cent on January 5, citing the steep fall of the Zimbabwe dollar against hard currencies and increased input costs in the last quarter of 1997.

"There have been unforeseen variables and to turn it into a race issue is most unfortunate," Jonse Blanchfield, CZI president, said.

Mr Chimutengwende alleged the white businessmen, who he did not name, were retaliating against government plans to forcibly purchase 13.7m acres of mainly white-owned commercial farmland to resettle landless blacks.

"We are aware that some sections of the white community would like to put the government in a fix. We know that their actions are politically motivated. If the government does not take the land then the people will," he said.

"We are doing this for their own protection. Otherwise the people will grab the land and they will be killed by landless peasants."

Nick Swanepoel, the president of the mainly white 4,500-member CFU, said the CFU and other business organisations were working with the government on the land issue. He said he was confident that a "sensible and lasting solution" could be found.

Mr Mugabe's government has targeted 1,503 farms for compulsory acquisition, arguing that they were seized by British settlers over 100 years ago.

Israel sets new guidelines for peace talks

By Avi Machlis in Jerusalem

Israel yesterday further toughened its position ahead of talks in Washington next week, setting guidelines for negotiations on interim and permanent peace deals with the Palestinians that would leave most of the occupied West Bank under Israeli control.

After the decision, Yassir Arafat, president of the Palestinian Authority, said the peace process could only be revived if the US pressed Israel to soften its stance.

Benjamin Netanyahu, Israel's prime minister, and Mr Arafat are scheduled to meet President Bill Clinton in separate meetings in Washington next week.

"It is up to Mr Clinton now," said Saeb Erekat, senior Palestinian peace negotiator. "We want to see if he can confront Mr Netanyahu and say enough is enough." Mr Erekat plans to ask Derek Fatchett, UK Foreign Office minister, who arrived in the region yesterday, to try to persuade Mr Clinton to take a tougher stand against Israel.

Mr Fatchett is trying to boost the European Union's impact on the peace process while the UK holds the EU presidency. He said close relations between Mr Clinton and Tony Blair, British prime minister, would allow the EU to play a "practical and constructive role" in the peace process that would complement US efforts.

Mr Fatchett said he understood Israel's security concerns were crucial for peace, but planned to tell Mr Netanyahu in a meeting set for last night that to continue developing Jewish settlements in the West Bank was undermining Palestinian confidence and endangering the peace process.

He urged Israel to carry out a "credible and significant" redeployment from the West Bank, echoing recent US appeals.

Yesterday's Israeli cabinet decision, coupled with a decision the day before in which Israel made a troop pullback conditional on Palestinian compliance with a list of Israeli grievances, left Palestinians with little optimism.

In yesterday's decision, the government defined Israel's "vital interests" in the West Bank. These include "security zones" on the West Bank's eastern border with Jordan and western border with Israel that would remain in Israel's hands.

Israel would also control a security ring around Jerusalem. Palestinians see Arab east Jerusalem as the capital of a future state in the West Bank and Gaza Strip.

In addition, Israel would continue to control Jewish settlements on the West Bank, and infrastructure such as water and electricity supplies, as well as strategic roads and historical Jewish sites.

Although the government did not present maps for the plan, Israel Radio estimated the scheme would leave 60 per cent of the West Bank in Israeli hands.

Meanwhile, Mr Fatchett chaired an EU-Israel dialogue on the Palestinian economy, which seeks solutions to the Palestinians' deteriorating economic situation. Palestinian incomes have been declining as Israel has repeatedly barred Palestinians from working there in response to suicide bombings by Palestinian extremists.

Nabil Sha'ath, Palestinian minister of planning, said yesterday that, according to a draft three-year development plan, the Palestinian economy would be completely dependent on foreign aid until the year 2000.

> 'We want to see if Mr Clinton can confront Mr Netanyahu and say enough is enough'

NEWS DIGEST

Antarctica accord signed

An international accord aimed at protecting Antarctica's fragile ecosystem took effect yesterday, drawing praise from Amsterdam based Greenpeace International.

The Protocol on Environmental Protection to the Antarctic Treaty will "protect Antarctica as a global wilderness and a scientific laboratory," said Iain Reddish, a leader of the environmental group's Antarctic campaign. "It's the most progressive environmental treaty ever seen," Mr Reddish said.

Twenty-six nations signed and ratified the treaty, which bans all mining in Antarctica for a minimum of 50 years, provides legal protection for the conservation of animal and plant life, and sets guidelines for marine pollution and waste disposal. Japan, the last to ratify the accord, did so last month.

Under the protocol, all visitors and researchers must apply for a permit and submit an environmental impact statement before they are allowed access to the continent.

Mr Reddish said he doubted the non-member countries would violate the accord because of pressure they faced from member countries that have a scientific interest in Antarctica. *AP, Amsterdam*

■ TURKMENISTAN GAS EXPORTS

Russian deal founders

Turkmenistan and Russia failed yesterday to reach an agreement on resuming Turkmen natural gas exports via Russia, and the Turkmen leader made it clear he would not compromise on the main issue – price.

Saparmurat Niyazov, Turkmen president, said his country had failed to agree with Russia on renewed gas exports via Russian pipelines, because Russia had offered too low a price for the gas. "We have not reached a common opinion on the issue of transporting gas via Russia," Mr Niyazov said after the end of his two-day talks with Victor Chernomyrdin, the visiting Russian prime minister.

Mr Chernomyrdin's delegation gave no immediate comments and hastily left the Turkmen capital Ashgabat with a two-hour delay after two days of long but largely fruitless talks with Mr Niyazov. *Reuters, Ashgabat*

■ CATHOLIC HOLY SITES

PLO and Vatican in talks

The Vatican and the Palestine Liberation Organisation have decided to negotiate an agreement on the status of Roman Catholic holy sites and churches in the West Bank, Gaza Strip and east Jerusalem, a Palestinian diplomat said yesterday.

The decision to form a committee to deal with the issue was reached by Jean-Louis Tauran, the Vatican's foreign minister, and the PLO representative to Vatican, Afif Safieh, on Saturday. The panel will look into the "status, rights, obligations and privileges of the Catholic church in Palestinian territories," said Mr Safieh.

He said negotiations would also deal with Roman Catholic properties in east Jerusalem, the sector Israel captured from Jordan in the 1967 war and later annexed into its capital. The Palestinians hope to establish a future capital in east Jerusalem. The Holy See and most countries in the world do not recognise Israel's annexation. Despite the Vatican's position, it reached an agreement with Israel on November 10 to place the properties in east Jerusalem under Israeli jurisdiction.

The Vatican has since reassured the Palestinian Authority that it does not recognise Israeli sovereignty over east Jerusalem. *AP, Jerusalem*

Fears grow of bias in Canadian immigration

By Scott Morrison in Toronto

Part of a proposed overhaul of Canada's immigration system has prompted concern from immigrant groups that it could lead to discrimination against people from countries where English or French is not spoken.

An independent panel commissioned by Lucienne Robillard, the federal immigration minister, has called on the government to change the immigration system and require economic immigrants – those who are not refugees or joining already resident families – to meet strict self-sufficiency requirements and demonstrate proficiency in English or French.

Critics say the language requirement would limit the number of people eligible for entry and lead to ethnic homogenisation. The panel's recommendations, which will be the basis for a nationwide consultation in the next two months, were released in the same week as a federal government apology to aboriginal people for assimilation policies that suppressed, and at times destroyed, native cultures and languages over the past two centuries.

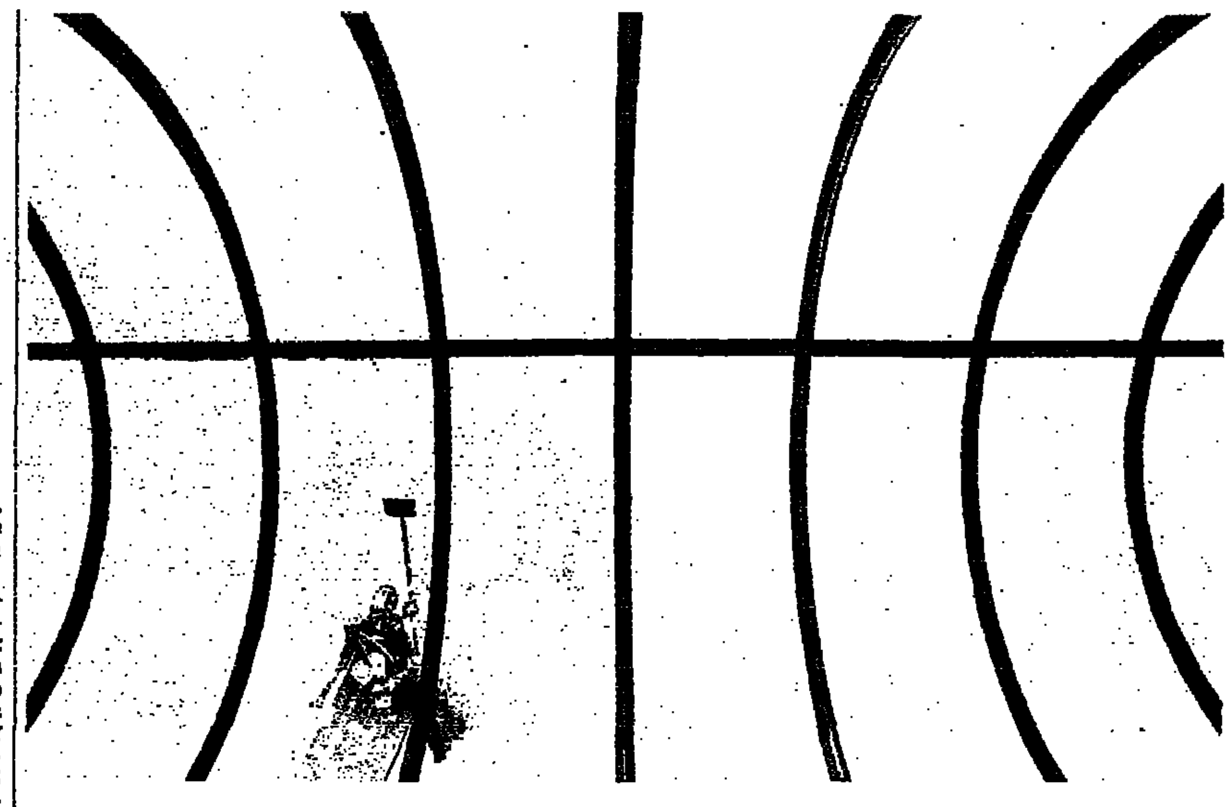
Mason Loh, chair of Success, an immigrant support group, said the proposal was "aimed towards people who don't come from English and French speaking countries".

Should the government adopt the proposal, it would mark a radical departure from the long-standing eligibility point system, under which candidates earn extra points for language ability, but are not banned from immigrating if they cannot speak either official tongue.

While the panel's proposals would broaden the definition of immigrants joining family members resident in Canada, they would require sponsors of such immigrants to fund language training if newcomers are not proficient in one of the official languages. Most controversial, however, are the proposals concerning economic immigrants, who would be required to meet age and education requirements, demonstrate skilled work experience and an ability to be self-sufficient, as well as show proficiency in English or French.

Roslyn Kunin, a Vancouver-based consulting economist who co-authored the report, denied the recommendations would discriminate against any ethnic group. She said about 75 per cent of all current immigrants were refugees and family members, who would not be required to meet the language requirements. For the remaining immigrants, Ms Kunin said English or French classes were available around the world.

Critics of the language proposal argue that requiring economic immigrants to speak English or French would disqualify potentially good candidates, such as computer technicians or engineers who do not rely on languages to perform their skills. Furthermore, such a requirement runs counter to the basic principle of equality under the law, Mr Loh said.



A transit shelter (above) in Montreal is part of the huge clean-up from the ice storm that has caused big power failures and sent thousands of people in search of shelter. In Canada's largest peacetime army operation, soldiers have been deployed throughout the "blackout triangle" area south of Montreal battered by last week's storm.

They have been given special arrest powers so as to reassure families about the danger of break-ins if they leave their homes because of the lack of central heating.

The Hydro-Quebec power company warned customers it planned six-hour rotating blackouts in the worst-hit areas to ease pressure on the system.

Venezuela to exceed oil quota

By Raymond Colitt in Caracas

Venezuela's state oil company will produce an average of 3.6m barrels of oil a day – 42 per cent above its Opec quota of 2.538m b/d – according to Luis Giusti, the company's president.

Petróleos de Venezuela (PDVSA) expects to export an average of 3.3m b/d, and total year-end production, including condensates and liquefied natural gas, would reach 3.79m b/d, he told the Foreign Press Association in Caracas.

Mr Giusti maintained that Venezuela's overproduction had nothing to do with the current slump in international oil prices. "Our overproduction amounts to 0.7 per cent of world demand; the price slump is not a Venezuelan problem." He said the Asian crisis and a mild winter had decreased world demand by approximately 1m b/d and the situation had been aggravated by Iraq's return to the oil market.

The only non-cyclical factors driving oil prices down, argued Mr Giusti, were production increases by members of the Organisation of Petroleum Exporting Countries following last year's meeting in Jakarta. These amounted to 400,000 b/d.

Erwin Arrieta, the energy minister, yesterday said he considered the oil price slump "temporary", but said Opec ministers were watching the markets carefully and an emergency meeting by Opec members could send the right signal to the markets.

PDVSA is in the midst of a 10-year expansion plan, which is to boost oil production to near 7m b/d by 2006. Venezuela has become the principal oil supplier to the US, overtaking Saudi Arabia.

PDVSA expects the price of the Venezuelan oil basket to average between $14.20 and $14.50 during 1998, below the $15.50 budgeted for the year. For every dollar drop in the price of oil, the country loses $1.1bn in gross revenue. The price of Venezuela's oil basket dropped to an historic low, recovering slightly to $12.85 per barrel on Tuesday.

With more than half of its income from oil revenues, the government has not ruled out further budget cuts.

The Mexican government yesterday announced sharp cuts in public spending because of an unexpected drop in world oil prices, which could deprive the exchequer of $2bn of oil revenues this year, writes Leslie Crawford in Mexico City.

A mild European winter and increased Opec oil supplies caused the spot price for Mexico's basket of light and heavy crudes to fall to $12 a barrel this week, against $26 a year ago, and a finance ministry estimate of $15.50 in its 1998 budget.

Oil exports are the single biggest revenue source for the Mexican government.

Martin Werner, deputy finance minister, said the central government was slashing expenditure by 15.3bn pesos ($1.9bn), or 0.4 per cent of gross domestic product, to prevent an undue expansion of the budget deficit.

American goldmine for high-tech workers

Resign your position today and you may find yourself with a new job before you've left the office

By Nancy Dunne and Louise Kehoe

A Silicon Valley company recently lured a number of computer programmers to a San Francisco 49ers game with free tickets and then conducted job interviews with them at half-time.

High-technology workers have been hard to get and President Bill Clinton promised to do something about it.

However, when his administration announced earlier this week what it would do, it was clear that budget frugality still prevails in Washington. The initiative consists mostly of repackaged programmes, a national jobs bank, a few millions dollars in training grants and a scheme to glamorise the role of scientists and technology pioneers to make them as admired as the superheroes of sports.

This will fall far short of the sector's needs. According to the US Commerce Department, more than 1.3m high-tech workers will be needed in the next decade. By the year 2006, the US service sector is expected to increase its employment of computer systems analysts, scientists and engineers by 177 per cent and computer programmers by 47 per cent.

The labour department says an average of 95,000 new computer scientists, systems analysts and programmers will be needed every year over the next nine years, but US universities are producing about a quarter that number of graduates. Cisco Systems, leading manufacturer of computer networking equipment, is hiring up to 1,000 people a month. Intel, the top chipmaker, added 15,500 people to its workforce over the past 12 months, most of them in the US.

In the cluster of high-tech companies in Northern Virginia, more than 200,000 jobs have been created in the sector. But there are 19,000 vacancies that businesses in the area are desperate to fill.

The Northern Virginia Technology Council is developing programmes to retrain the underemployed and people changing career. Some companies are even putting the candidates on their payrolls before they are trained. Other job seekers are entering a "career bridge" programme to get assistance while they train.

Mr Ray Pelletier, executive director of the council, said the region – essentially at full employment – is expected to created 115,000 jobs over the next five years in profession services, software development, information technology and other areas.

The administration's initiative pulls together current programmes, but does not address long-term needs, he said. This will have to come from a combination of state, federal and business funding. Nowhere is the competition for technology workers keener than in California's Silicon Valley where rapidly growing networking equipment and computer companies and searching for hundreds of new employees each month.

Leading companies advertise constantly to try to attract qualified workers. Movie goers are treated to employment adverts before the main feature and radio stations play job ads throughout the morning and evening commute hours.

The joke in Silicon Valley is that if you quit your job you will have new offers before you get out of the parking lot.

Engineering and computer science students at California colleges are receiving high-paying job offers long before they graduate. Some high-tech companies encourage students to drop out without completing their degree courses. Bill Gates, chairman of Microsoft and a Harvard dropout, is held up as an example.

Many companies use their current employees as recruiters, offering cash incentives to those who bring in job candidates and rewards of up to $6,000 to those who refer a candidate who is hired.

All of this means that wages in high-tech industry are high. The average high-tech salary in 1996 was $49,600 a year – 73 per cent higher than the average wage for a private sector worker. In the software industry the average wage is more than $60,000.

NEWS DIGEST

US retail sales accelerate

US consumer spending accelerated last month, in a further demonstration that the economy shows few ill effects from the Asian financial crisis of the past six months.

Retail sales rose by a seasonally adjusted 0.7 per cent in December as consumers spent heavily on cars and other durable goods in an end-of-year spree, the Commerce Department said yesterday in a preliminary estimate.

The sharp increase in December followed sluggish spending in the previous two months, however, and sales were weaker for non-durable goods and services. Excluding car sales, spending rose 0.2 per cent, held down by weakness in the groceries, fuel and restaurant sectors.

In the final three months of the year, total sales grew at an annual rate of 1 per cent, after 7.5 per cent in the previous quarter. *Gerard Baker, Washington*

■ CHILE'S EX-DICTATOR

Pinochet delays departure

Chile's former dictator and current army chief, General Augusto Pinochet, has told the government he intends to delay his departure from the military – increasing tension between the government and the armed forces.

The government has been negotiating with the army for Gen Pinochet to leave in late January, so he could take his seat in the Senate as an appointed senator for life before parliament went into recess for summer.

The army decision was apparently triggered by a move by five congressmen to bring a constitutional accusation against Gen Pinochet. If successful, this would have stopped him taking a Senate seat. *Imogen Mark, Santiago*

■ TOBACCO SETTLEMENT

White House hopeful of pact

The White House yesterday expressed optimism that a national tobacco settlement would be passed by Congress this year, brushing aside Republican warnings that President Bill Clinton's planned inclusion of revenues from a deal in his budget plans could jeopardise agreement on the issue.

Mike McCurry, White House spokesman, said Mr Clinton felt the outlook for passage of the proposed $368.5bn deal was very good. "Our conversations on *[Capitol] Hill have indicated to us that the prospects for* tobacco legislation are very favourable," he said.

Mr McCurry's comments follow a warning by Trent Lott, Senate majority leader, that the odds of a settlement passing were "about 70-30 against". He also said Mr Clinton's reported plans to budget some revenue from the proposed settlement for new programmes such as health research and child care before any deal had been enacted was "inflaming the problem".

The anti-tobacco lobby is divided over whether to support the deal, which would settle outstanding tobacco-related lawsuits with states and provide limited immunity for tobacco companies. *Mark Suzman, Washington*

■ EL NINO

Colombia seeks drought aid

The Colombian government is requesting $2.5m in humanitarian aid from the European Union to help small farmers hit by a severe drought.

Water rationing has been introduced in parts of the country thanks to the damaging effect of the warm Pacific current, El Niño.

Colombia's National Coffee Growers' Federation yesterday warned it was facing problems with coffee supplies because of the severe drought.

Many towns and villages take their water from rivers and streams which have fallen below their usual levels because of the lack of rainfall. *Sarita Kendall, Bogotá*

■ CHILDCARE

Americans turn to relatives

Americans are switching daycare for their children to relatives and highly organised daycare centres, and away from child minders or so-called family day centres, a study by the US Census Bureau reports.

Stories of abuse by childcare workers may be fuelling the shift away from care where a single person looks after the children, said Lynn Casper, a bureau analyst. In 1994, only 15 per cent of children were cared for in someone else's home, against 23 per cent in the decade to 1988. Relatives now look after 44 per cent of pre-school children, against fewer than 40 per cent in 1990. The share of the pre-school market taken by organised daycare and nursery schools rose to just under 30 per cent between 1990 and 1994. *Nicholas Timmins, Washington*

FINANCIAL TIMES SPECIAL REPORT

ASIA IN CRISIS

The country that invested its way into trouble

In the fourth of five reports, **John Burton** and **Gerard Baker** recount South Korea's frantic attempts to avoid defaulting on its debts

Michel Camdessus was assured that he could slip into South Korea quietly. "Don't worry. All foreigners look the same to Koreans," was the humorous advice given by one Seoul official. So on the evening of Sunday, November 16, the head of the International Monetary Fund arrived at Seoul's Kimpo airport.

A middle-ranking finance ministry official escorted the IMF team to a rented car instead of a government vehicle to avoid raising suspicions. At the nearby Inter-Continental Hotel they met Kang Kyong-shik, the South Korean finance minister, who explained why their presence in Seoul was urgent: Korea was preparing to ask for a bailout.

The secret trip by Mr Camdessus was the start of events that would prove a demanding test for the IMF, and a bigger one for Korea, the most protected of the modern industrial powers. The effect on both would be profound.

No one expected such far-reaching developments when the Asian crisis began earlier in the summer. After Thailand devalued its currency in July, one senior official at the IMF asked his staff which other countries were at risk. The list contained the usual suspects: Indonesia, Malaysia, the Philippines, China perhaps. South Korea did not get a mention.

"No one honestly thought Korea was going to find itself in the same boat," he says. "This was, after all, the world's 11th largest economy, a member of the OECD. Its problems just seemed to be in a different league."

That judgment, widely shared at the time, helps explain why the world was so slow to grasp the scale of Korea's problems. These had been coming to a head since Kim Young-sam became president in early 1993. Mr Kim, a populist politician, took office during a mild recession and promised to boost growth.

He did so by encouraging Korea's giant diversified conglomerates, or *chaebol*, to invest heavily in new factories. Korea enjoyed an investment-led economic boom in 1994-95, but at a cost. The *chaebol*, always heavily reliant on borrowing, now had huge debts – four times equity on average – and excess production capacity.

In 1996, overcapacity led to falling prices for the nation's main export products. Prices for computer memory chips, Korea's largest export, collapsed in a glutted global market. Earnings of chipmakers fell by 90 per cent. Cars, shipbuilding, steel and petrochemicals were also affected.

Short-term foreign borrowing by industrial groups and banks rose rapidly as they struggled to service their long-term debts. Foreign loans were particularly attractive to the *chaebol* since they carried lower interest rates than domestic loans, which reflected a capital shortage that resulted from Korea's closed financial markets.

The corporate debt bomb was primed to explode. The first detonation came in January 1997 when Hanbo Steel collapsed under $6bn in debts. Hanbo was a prime example of the crony capitalism that pervaded Korea, where politics and business were intertwined. Banks had been forced by the government to lend to the steelmaker.

Hanbo's plight was worsened by the government's recent loss of authority. In early January, the president forced through labour law reforms in a secret session of parliament. Three weeks of union protests followed. President Kim's authority never recovered. Hanbo Steel was an early sign of this: the banks felt strong enough to refuse to provide more loans.

Political scandals that emerged after the bankruptcy forced government changes. In March, Mr Kang, a firm believer in free-market principles, was appointed finance minister, Mr Kim's seventh. He took over a ministry notorious for obstructing economic reforms. Mr Kang vowed to change that. Within days, Sammi Steel, Korea's biggest specialty steelmaker, was allowed to fail.

By now, the wider Asian crisis was under way, sapping confidence in Korea's companies and currency. Mr Kang's commitment to market reforms was put to the test in July when Kia Motors, the nation's third largest carmaker, ran out of cash and asked for emergency bank loans to avoid bankruptcy. At the same time, Korea's largest liquor group, Jinro, became the third conglomerate to go bust in 1997. International credit agencies began downgrading ratings for banks with heavy exposure to troubled *chaebol*.

By October, Mr Kang was under intense criticism for refusing to bail out Kia. Mr Kim was facing a difficult presidential election in December, so on October 22, Mr Kang relented. After the banks refused to provide more loans to Kia, he nationalised the carmaker.

Standard & Poor's, the US credit rating agency, promptly downgraded Korea's debt. By damaging coincidence, this decision came at the same time as the attack by speculators on the Hong Kong dollar and the crash of the stock market there.

The two events triggered an outflow of foreign capital. The South Korean currency, the won, dropped sharply. Foreign banks began refusing to roll over short-term loans to Korea. By early November, the slide in the won was accelerating. Foreign currency reserves started the month at $30bn, less than three months' imports. They fell by half in two weeks.

Korean officials scrambled to enlist direct US and Japanese support, hoping that bilateral loans would avoid the strict conditions that the IMF would impose. The US Treasury quickly made it clear to Seoul that any such request would be fruitless.

But what if commercial banks could be persuaded to come to the aid of Korea by agreeing to sit down with their debtors and begin to reschedule debts? For a few days in November, US officials debated the idea among themselves. It seemed to some to provide the ideal solution – no official US or IMF money, but enough from the private sector to meet the immediate crisis.

But the idea was eventually ruled out. News of negotiations, officials feared, would be interpreted as a moratorium on Korea's debt. Capital would flood out of every emerging market. Better to leave it to the IMF.

On the night of Thursday, November 13, Mr Kang, together with the central bank governor and the president's chief economic adviser, decided that Korea had no choice. Mr Camdessus was asked to come secretly to Seoul that weekend.

In the meeting at the Inter-Continental Hotel, Mr Kang proposed to announce the request for an IMF rescue on Wednesday, November 19. The announcement would be linked to two reform packages. One would involve immediate new laws to improve the government's financial supervision, give independence to the central bank on monetary policy, and require consolidated accounts from the chaebol. The other would widen access to Korea's financial markets for foreign investors and ease trading limits on the won.

An indication of the change in policy came the next day, November 17, when South Korea allowed the won to drop below the psychological threshold of 1,000 to the US dollar as the central bank abandoned intervention in the foreign currency market. But Mr Kang's plans then quickly went awry. On November 18, parliament refused to pass the financial reform laws. And on the morning of the day scheduled for the IMF request announcement, Mr Kang was sacked.

He was not the right man, the president decided, to negotiate with the IMF. Lim Chang-yuel, the trade and industry minister, took his place. Mr Lim, a former finance ministry official, had a reputation as a tough bargainer. He had served with the IMF in the late 1980s; this might help him gain a better deal for Korea.

On the afternoon of November 19, Mr Lim announced a financial stabilisation package. The daily trading band for the won was widened to 10 per cent (instead of Mr Kang's proposed 15 per cent) from 2.5 per cent. A Won10,000bn government fund was established to liquidate bad bank loans, while the government promised to merge shaky financial institutions.

This was in line with Mr Kang's plans, with one crucial exception: there was no request to the IMF. Without it, the won dropped 10 per cent on November 20. Mr Lim had no choice. At a hastily called news conference the following night, November 21, he formally announced a Korean request for $20bn in stand-by loans from the IMF. The next week, a team of IMF officials arrived in Seoul to begin negotiations.

Back in Washington, the pace of discussions was intense, despite the US Thanksgiving holiday, November 27. At least three senior members of the administration suffered vociferous complaints from their own families, as Thanksgiving dinner was interrupted by lengthy conversations between the Treasury, the White House and South Korea.

For the US, foreign policy issues were at stake. "This was happening in a country that faced a million enemy soldiers across its border," said one US official. North Korea had much bigger problems of its own – including famine – but the US feared it might take advantage of turmoil in the south. With 37,000 US troops in Korea, the US interest in a resolution to the economic crisis was clear.

On the morning of Friday, November 28, President Kim received a call from Bill Clinton, the US president, that would drastically accelerate the pace of the negotiations. Mr Clinton had gone for Thanksgiving to Camp David, the presidential retreat, where he was discussing the Asian financial crisis with his economic advisers. Their conclusion was that Korea was close to defaulting in the first week of December.

For 15 minutes, the US president outlined the dire situation that Korea confronted and suggested a deadline of Monday, December 1 for the IMF negotiations. He warned that Korea would be "severely punished" by the international financial community if a deal was not quickly reached. He promised US financial support in "a second line of defence" if an accord was concluded.

Shaken by the conversation, Mr Kim ordered a reluctant Mr Lim to reach an IMF agreement by Monday. Frantic negotiations on a bailout that had now doubled in size were conducted over the weekend, as South Korea's foreign currency reserves fell to $6bn. By Sunday night, November 30, Mr Lim announced that an agreement had been reached.

But the claim was premature. Mr Camdessus, who was in Kuala Lumpur, refused to approve the deal because of Korea's reluctance to close down insolvent financial institutions. He flew to Seoul to intervene directly. During a courtesy call on the president, he insisted that the three candidates in the December 18 presidential election must promise, in writing, to obey the proposed agreement.

Korean officials regarded the demand as arrogant. But after an initial refusal, Mr Kim proposed a face-saving compromise: the presidential candidates would address their promise of support to him rather than the IMF. Meanwhile, Mr Camdessus continued to discuss the problem of insolvent banks with the finance minister.

A luncheon he had planned to host with Korean financial officials and the ambassadors from the western nations that would contribute to the bailout went ahead. In his place, Mrs Camdessus acted as hostess. A former nurse, she pointedly told the Korean officials that "one thing that I learned from the medical profession was that it was not only the medicine that counted, but the way that the patient takes it."

Mrs Camdessus's remark proved prophetic. A $55bn IMF deal was signed that evening – and started unravelling almost immediately.

On December 8 Chosun Ilbo, a leading Korean newspaper, revealed a confidential IMF document that said Korea's short-term foreign debt was nearly twice as big as previously thought at more than $100bn. The same day, Mr Lim announced that the government would take over Korea's two weakest banks, Korea First and SeoulBank, instead of closing them. And Daewoo, one of the *chaebol*, bought debt-laden Ssangyong Motor under a deal that forced Ssangyong's creditor banks to share much of the financial burden.

Foreign bankers questioned South Korea's commitment to undertaking the IMF reforms. Overseas banks refused to roll over loans, foreign investors fled the Seoul bourse, and the won dropped like a stone. Some critics of the IMF in the US argued that the conditions it was imposing were too strict. Others complained that the US was contributing to a bailout that would save western banks from facing up to the consequences of imprudent lending.

Kim Dae-jung, the veteran centre-left opposition leader, took advantage of popular unhappiness over the IMF deal. His party proclaimed December 3 as "national economic humiliation day" and he criticised the IMF agreement as representing a "loss of economic sovereignty." Promising to renegotiate the deal's terms to avoid job losses, Mr Kim enjoyed a bounce in support that made him the electoral front-runner.

As foreign investors reacted to Mr Kim's apparent lack of support for the IMF, Mr Lee Hoi-chang, the government candidate, accused him of worsening the nation's financial turmoil with "irresponsible" remarks. Mr Kim beat a tactical retreat. On December 12, he sent a letter to Mr Camdessus, promising full compliance with the IMF's terms.

Kim Dae-jung went on to win the presidential election by a narrow margin. Meanwhile, he had quietly endorsed a proposal to send Kim Ki-hwan, Korea's roving ambassador for economic policy, to discuss a new financial aid package with the US.

By now, mid-December, foreign banks were rolling over only 20-30 per cent of Korea's short-term debt as each tranche expired. An outflow of $1bn a day meant that – despite the initial inflow of funds under the IMF deal – South Korea would exhaust its foreign currency reserves by the end of the month. Ambassador Kim hoped to persuade the IMF, the US and other lenders to speed up payment of the next instalment of funds. When he arrived in Washington on December 18, he carried a new set of proposals, known as "IMF plus," that would accelerate promised reforms.

In a meeting with Lawrence Summers, the deputy US Treasury secretary, the ambassador admitted that Korea was days away from a debt moratorium. He promised that Kim Dae-jung would support tougher measures in return for aid.

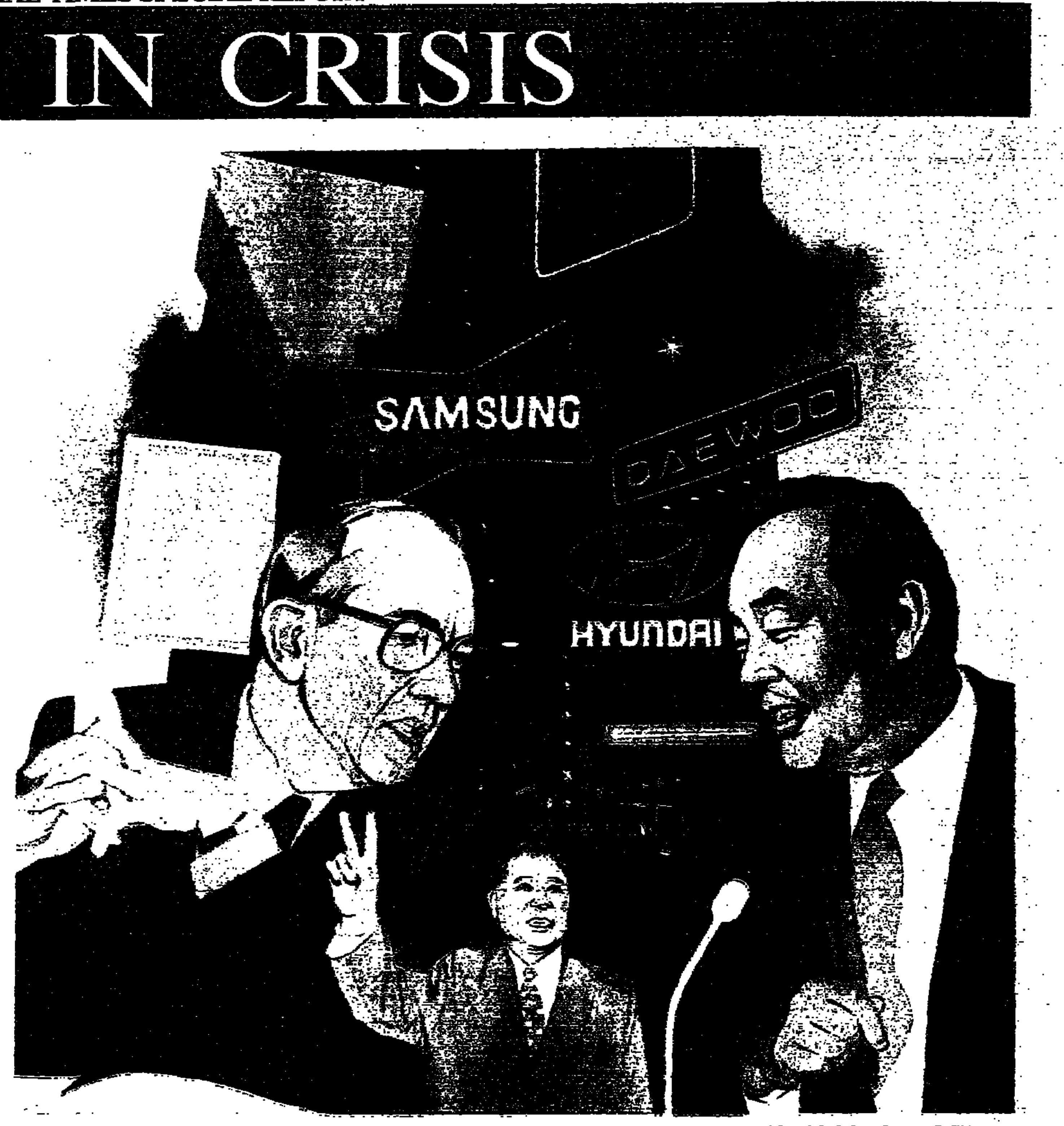
Initially, the US was unenthusiastic. A week before Christmas, Robert Rubin, US Treasury secretary, was still publicly confident that Korea would not need an accelerated lending programme. He said the US had no intention of speeding up its loans.

That attitude could not last. On the evening of December 18, Mr Rubin met Alan Greenspan, chairman of the Federal Reserve, and other officials for dinner at the Jefferson Hotel near the White House. They worried that a Korean default would trigger a banking crisis in Japan, which held $25bn in Korean debt, and cause financial turmoil in other emerging markets where Korean banks were heavy investors. Something had to be done.

This shift in the US approach was followed by reassurance from Korea. On December 22, David Lipton, the US Treasury undersecretary, met Kim Dae-jung, who said his top priority was to improve Korea's economic competitiveness rather than protect job security.

Time was of the essence. The same day, Korean state and corporate bonds were reduced to junk-bond status by Moody's Investor Service and Standard & Poor's, the two leading US credit agencies.

Meanwhile, the final details on the "IMF plus" agreement were being negotiated with the finance ministry, including the rapid opening of financial markets to overseas investors. At the stroke of midnight on Christmas Eve, Lim Chang-yuel, the finance minister, announced that the IMF and eight country lenders had agreed to advance $10bn to Korea to prevent a debt default. And after arm-twisting from the US government, foreign banks decided to roll over loans to Korea. The worst appeared over. But what lay ahead?



Korea's uneasy triangle: While outgoing president Kim Young-sam (right) negotiated for an IMF deal with Michel Camdessus (left), veteran political campaigner Kim Dae-jung squeaked to a narrow victory in South Korea's presidential election

Tomorrow

Last in the series

● Where next for Asia?

PROFILE: LAWRENCE SUMMERS

Getting things done the American way

Summers: putting on pressure, cajoling, nudging

For a mere deputy secretary in an administration with its fair share of political heavyweights, Lawrence Summers seems to pack a lot of punch.

In the last three months, as the Asian crisis has broadened and deepened, Mr Summers has been everywhere – putting pressure on the Japanese to reflate their economy, cajoling the Koreans to implement tougher financial reforms, nudging the US Congress not to pull the plug on IMF funding.

With the solid personal backing of President Bill Clinton, he has used his considerable political and intellectual authority to drive the US response to the crisis. His efforts have earned him some (mostly) flattering comparisons in the media with a range of grand historical figures from Henry Kissinger to General Douglas Macarthur.

A burly, good natured, academic economist with a first-class brain and an irredeemably arrogant manner, Mr Summers at least inspires confidence that he knows what he is doing, even if he sometimes leaves his interlocutors feeling as though they have just been beaten about the head with a copy of Keynes's *General Theory*.

His approach to the crisis has been rooted in immutable laws of modern economics. The countries in turmoil have been told, in categorical terms, to liberalise trade, deregulate financial markets and toughen disclosure rules. If, by happy coincidence, these are all reforms that coincide neatly with the immediate aims of US economic diplomacy in the region, so much the better.

More important, Mr Summers has been successful in ensuring that the entire international rescue operation has been run along US lines. There was a dangerous moment before the Korean collapse, when momentum was building in Asia behind a Japanese-led plan for a special regional bailout fund. With some nifty footwork and a lot of shuttle diplomacy, Mr Summers managed to kill off the proposal and leave the IMF at the forefront of the bailouts – the critical element of the US approach.

The biggest criticism that has been levelled at Mr Summers is that he and his colleagues have consistently underestimated the scale of the crisis. The US did not contribute funds to the Thai bailout last summer, content that the damage was containable. It was not. The administration reassured the world that the funds it committed for Indonesia and South Korea would be highly unlikely ever to be needed. They were.

In his defence, Mr Summers' supporters say such expressions of confidence were necessary to avert a genuine market panic. Public fiddling with the worry beads would probably not have been a good idea, but there is also little doubt that things have turned out far worse, at almost every stage, than Mr Summers and his colleagues expected.

The ebullient Mr Summers still exudes American confidence, that, however bad it all seems, the sky will not fall in. The world is offering up a quiet prayer that he will prove to be right.

Gerard Baker

Koreans face tough talks with foreign bankers

Wide differences persist over ways to return the country to financial stability

South Korea's delegates return to New York next week to begin negotiations over a debt restructuring in earnest, but there will be a big divide to bridge.

For while both Korea and its foreign bank creditors agree on the goals - to convert a large chunk of short-term loans into longer-term debt and to replenish the country's depleted foreign currency reserves – there seems to be little agreement so far on how to get there.

Disagreements persist over how much money Korea needs to return to financial stability, and how much it will have to pay for it. Also unclear is the extent to which the government will guarantee the debts of its troubled commercial banks, and whether foreign bankers will themselves put up new money.

The outline of one plan, sketched out by J.P. Morgan and backed by the main creditor banks in New York, first emerged in late December. While increasing in size from $15bn to $25bn and changing in some details to reflect particular requirements of other banks around the world, its main shape has changed little.

This would involve the Korean government issuing some $25bn of new securities at one go, with maturities of one, three, five, 10 and 20 years. Foreign banks and investors would bid against each other for the paper – the banks by offering to exchange existing debts owed by Korea's commercial banks, other investors by paying cash.

Supporters of this plan claim it would convert $15bn of short-term debt into longer-term securities, raise $10bn in new money, and put an end to the crisis in one fell swoop by proving that Korea is again credit-worthy in the international markets.

A "market-based solution" like this could be the only way for Korea to get back financial stability, according to one banker, unlike the Latin American debt reschedulings of the early 1980s, many foreign banks have relatively little at stake directly, making it almost impossible to coerce them into a formal debt restructuring accord.

The market, though, is likely to put a high price on this exercise. Many of the banks would sell on the new securities rather than hold them, adding to the mountain of paper the markets would have to absorb. To judge by the initial soundings, Korea would have to pay a risk premium of 7 percentage points or more above the yield on US Treasury bonds.

According to one banker, this is simply a fact of life that Korea will have to accept: "If they can get it cheaper elsewhere, fine."

Korea does not seem to agree that its negotiating position is as weak as this suggests.

The government's preferred option is to offer state payment guarantees on debt whose maturities are extended. Seoul is proposing that interest rates on rescheduled loans will be based on a floating rate tied to the nation's sovereign credit rating. The finance ministry also wants to issue a $10bn government bond and arrange a $5bn loan syndication to replenish its foreign currency reserves, as proposed by its own financial advisers, Goldman Sachs and Salomon Smith Barney.

Seoul is less enthusiastic toward the J.P. Morgan option, because the expected higher interest rate would increase its future debt burden.

Korean officials also fear the proposal would possibly weaken relationships between Korean and foreign banks. Like other Asian nations, Korea regards strong and long-standing business ties as a guarantee of security. Lim Chang-yuel, the finance minister, has emphasised this theme in talks with foreign bankers in Seoul.

The Grand National party, the main opposition group that holds a parliamentary majority, has also criticised the extension of government guarantees because it fears they will lead to higher taxes to cover the debts if they can't be repaid by banks.

Several Japanese banks also want to preserve direct relationships with their Korean counterparties. Most critically, however, they need a government guarantee, which would allow them not to count Korean debt in their capital adequacy ratios – which with Japan's banking system facing problems loans totalling Y76,710bn ($750bn) are under extreme pressure.

In Europe some banks, notably the Swiss and British, have expressed support for the J.P. Morgan plan. Several French and German bankers, however, suspect their US competitors may be trying to extract large investment banking fees, rather than stoically bearing their share of the pain. "Mandate chasers are the last thing we need," said one continental banker.

Korea's dilemma is acute. If, as the government and its bankers claim, the country is fundamentally sound and faces only a short-term liquidity problem, then a successful J.P. Morgan-style restructuring could quickly restore confidence – as happened after the successful rehabilitation of Mexico three years ago. The price, however, would be penal borrowing costs on all $25bn of the new debt, and possibly unacceptable internal economic pain.

A formal moratorium and rescheduling of debt repayments, on the other hand, could cost less, financially, but the damage it would do to Korea's credit and access to capital markets could last for years.

Richard Waters in New York, **John Burton** in Seoul and **George Graham** in London

Rupee hit by forex anxiety

By Krishna Guha in Bombay

The Indian rupee fell to an all-time low yesterday, breaching the psychological barrier of Rs40 to the dollar to close at Rs40.10, on fears that foreign investors would steer clear of India while the turmoil in Asia continued.

Fears that the country would be deprived of inflows of foreign exchange also depressed stocks. The benchmark BSE 30 index closed down 31 points at 3,401.

Yesterday's falls follow the collapse of Peregrine, the Hong Kong-based investment bank, which was a participant in India's stock markets. Peregrine's failure dealt a further blow to confidence which suffered when Moody's Investor Service said last week it was reviewing India's credit rating for a possible downgrade from investment grade to sub-investment grade status.

Traders said pressure on the rupee had mounted as expected inflows of foreign portfolio investment failed to materialise. Companies have avoided repatriating dollar profits in expectation that the rupee will depreciate.

There are also reports of a fall in remittances from Indians working abroad. These, totalling $11bn last year, form a vital source of foreign exchange.

Meanwhile, Delhi's plans to earn dollars through selling global depositary receipts representing shares in state-owned companies appears to have stalled. This compounds a loss of competitiveness in export markets – less severe a problem for India than for other Asian countries as trade accounts for only about 22 per cent of gross domestic product.

Chetan Ahya, economist at Caspian Securities, said he expected "a further depreciation of about 11 per cent [in the rupee] over the next 12 months".

Currencies, Page 23

Tokyo to let banks revalue assets

By Gillian Tett in Tokyo

The Japanese government is drawing up plans to change banks' accounting rules to prevent recent stock market falls triggering a crisis in the financial sector.

Officials have suggested that banks should have a looser system for measuring their land and equity portfolios, so that their capital bases are reported in a more flattering manner.

The move has been motivated by fears that some leading banks could fail to meet the 8 per cent capital adequacy ratio stipulated by *the Bank for International* Settlements. The concern is that such falls in capital are prompting banks to cut their lending, thereby raising the possibility of bankruptcies.

The proposed scheme would re-evaluate equity portfolios at their book value rather than at the prevailing market value. This would boost banks' capital because it would, in effect, ignore the sharp share price falls of recent weeks.

The ruling Liberal Democratic party (LDP) also wants banks to record their land assets in terms of market prices, rather than the initial purchase cost. This would create new "gains" for banks, since most land was acquired decades ago.

Okiharu Yasuoka, head of the LDP's financial stabilisation panel, yesterday estimated it would create Y4,000bn ($30bn) gains for banks. The LDP plans to allow banks to count 45 per cent of these "gains" as capital, he added. "We will propose a bill for this soon and we want it to be in effect for March 31."

Some western analysts are critical of the measures. James McGinnis of Dresdner Kleinwort Benson said: "This is just accounting gimmickery. What the banks need to do now is address the fundamentals."

Some stronger banks have indicated that they would be reluctant to use the new options. In particular, stronger banks fear using them could trigger an adverse market reaction because it would raise suspicions that a bank had something to hide.

Separately, officials from the LDP will meet senior executives of Bank of Tokyo Mitsubishi (BTM) today to try to persuade the bank to issue preferred shares or bonds. The move follows calls for BTM to play a leading role in a broader scheme to use public money to recapitalise Japan's banks by purchasing shares and bonds.

The calls have generated controversy within BTM, where executives argue that the bank's articles of incorporation do not allow it to issue preferred stock.

Rare cheerfulness among Tokyo brokers yesterday as stocks rose to close 2½% higher Reuters

However, some BTM officials have suggested that the bank could issue subordinated bonds instead. "We are studying this, but we need to see how the political debate develops," one BTM official said.

The suggestions yesterday helped to push the share price of BTM up Y80 to Y1,740, on hopes that the proposals would strengthen the group's capital base.

The proposals have arisen because next week the Ministry of Finance will present a bill to Japan's parliament which could enable up to Y30,000bn of public funds to be used to support the financial sector.

If the proposals are passed by parliament, up to Y10,000bn of public funds would be earmarked for a potential purchase of banks' preferred stocks and subordinated bonds. Another Y3,000bn could also be drawn upon later for additional stock purchases, if this money was inadequate, officials add.

Some government officials and politicians want to restrict the scheme to the banks which are solvent, but face problems raising capital in the markets.

However, parts of the LDP are pressing for the strong banks, such as BTM, to issue preference shares first, to remove any market stigma with the scheme.

US holds out funding hope to Thailand

By Ted Bardacke in Bangkok

The US is committed to ensuring that Thailand has "adequate funding" to work out its economic difficulties, the US deputy treasury secretary, Lawrence Summers, said yesterday, raising the prospect that Thailand could *be granted more interna*tional help in return for strict adherence to its International Monetary Fund programme.

Thai financial markets soared on Mr Summers' remarks. The Thai stock market *gained 5.37 per cent* to 367.69, while the baht strengthened for the second consecutive day to Bt52.7 to the dollar.

Private analysts and some Thai officials believe the country needs more money than the $17.2bn IMF programme arranged last August. While Thailand's foreign reserves have held up well, capital outflows and regional economic turbulence have put further strains on the country's shaky banking sector.

Thai bankers say that without government assistance to remove bad debt from their books, they will be unable to raise up to $13bn that it needs to recapitalise the banking system over the next three years. The IMF has tacitly acknowledged Thailand's need to raise more money by lifting the government's foreign borrowing limit this year by $5bn. However, because of credit rating downgrades the government is finding it *hard to raise this money.*

After a series of meetings with the prime minister, Chuan Leekpai, and finance minister, Tarrin Nimmanahaeminda, Mr Summers said he was "very impressed" with Thailand's progress in reforming its economy, particularly with regards to transparency.

Mr Summers said the priority should now be a "strong commitment to policies that restored confidence, that could attract funds in the private market place", but added that "we *are determined to work with* the IMF to ensure adequately financed support".

Next week Mr Tarrin will travel to Washington to meet IMF officials and review the status of the Fund's programme. Several *changes to the programme* are expected, although they will not be formally ratified or announced until the end of February.

Mr Tarrin stressed that he would not be asking for more money during his visit. "Don't think we are asking for help. We need to help ourselves first," he said.

But other Thai officials said they hoped that with US assistance, something might be proposed by the Fund or that the Fund would be willing to "endorse" a capital raising effort by the Thai government.

Mr Tarrin will also meet Robert Rubin, the treasury secretary and Madeleine Albright, secretary of state, amid harsh criticism in Thailand of US failure to provide direct assistance to its oldest ally in the region.

Mr Summers sought to dispel criticism that the US had acted too slowly in recognising the severity of Asia's financial crisis: "For trade reasons, for reasons of finan*cial stability and for reasons* of national security, the US has a very large stake in Asia's prosperity and stability. We have an important stake in Thailand's economic reform."

S&P cautious on Pakistan outlook

By Farhan Bokhari in Islamabad

Standard & Poor's, the international credit rating agency, has revised the long-term outlook for Pakistan's foreign currency debt rating from "stable" to "negative", prompting concerns over the country's external position.

The agency cited rising external debt and growing dependence on short-term funding among the reasons for its decision. However, the ratings for the long-term debt at B-plus and for short-term debt at B were left unchanged.

The KSE-100 index on the Karachi stock exchange, under pressure because of the Asian crisis, lost just below 1 per cent. Market analysts said that yesterday's falls had been triggered *mainly by the S&P* announcement.

Sartaj Aziz, finance minister, said in Islamabad he was encouraged by S&P's decision not to lower the long- and short-term debt ratings. He attributed the agency's decision to change the outlook mainly to anxieties in financial circles over the outlook for Asian countries, not just Pakistan.

The finance ministry, in its latest assessment of economic trends, was broadly upbeat.

Mr Aziz said Pakistan would achieve 5.5 per cent growth in its gross domestic product in 1997-98, against 3.1 per cent for 1996-97.

Pakistan would also meet the budgetary deficit target of 5 per cent of GDP for 1997-98 against 6.2 per cent the year before, the minister added. The half-yearly international trade deficit had also fallen to $1.1bn from $1.7bn a year before.

Official foreign exchange reserves had edged up to $1.25bn, enough to meet five weeks' imports, from *$722m last year.*

But critics charge that the improvement in trade has been achieved by suppressing imports, suggesting weak demand from industry and only a modest growth in exports.

Crippled banks imperil Indonesian attempts to reform finance sector

Indonesians have so little trust in their banks, says Theo Toemion, a Jakarta economist and money market trader, that they have been withdrawing money from their accounts and putting it into safe deposit boxes.

With foreign banks confirming that the central bank was unable to keep up the supply of bank notes as withdrawals reached a peak during last week's collapse of the rupiah, a flight into cash is evidence of the deep crisis pervading Indonesia's financial system.

It also explains why today's new agreement with the International Monetary Fund is expected to focus heavily on financial sector restructuring.

Economists say no IMF programme can succeed without far-reaching financial reforms designed to shake the economy free of the burden of bad debts and restore credit to sound companies, which now even face difficulty raising the working capital required for exports. But it is hard to see how such reform can be designed, given the depth of the troubles. The IMF's first attempt to do so last October backfired after government action was confined largely to the closure of 16 smaller banks.

"They should have gone for a big bang approach and shut down all of the bad banks at once – or none at all," said Neil Saker of SocGen-Crosby. "By doing it as a half-measure, they were sending the wrong message. They wanted to show they were moving. Everybody knew more would go, but nobody knew which ones."

Analysts say the situation has since deteriorated sharply with small banks and even some larger private sector ones finding it hard to raise deposits, while their revenues and dollar debts to meet their obligations. It has also undermined the capital base of large and medium-sized private sector banks whose capital is denominated in rupiah but whose lending is on average one-third in dollars.

There is thus an urgent need for restructuring which would reduce the total number of banks from almost 200 at present and recapitalise those which are capable of *survival, analysts* say. At

> 'The cracks are visible in the clearing system. There are local banks which cannot meet their *dollar commitments on the* interbank market'

loan books deteriorate in the wake of the rupiah's collapse. "The cracks are visible in the clearing system. There are local banks which cannot meet their dollar commitments on the interbank market," said one foreign banker. That could drain precious currency reserves as the central bank is forced to step in to help.

According to an analysis by SocGen-Crosby, the currency's fall has decimated the balance sheets of Indonesian banks. Not only because it has made it much harder for companies with rupiah the same time, Indonesia needs improved regulation and proper bankruptcy laws to allow bad debts to be collected.

No one has tried to collect debts from the 16 banks that were closed, says William Keeling of Dresdner Kleinwort Benson. This means the large bad debt problem remains unaddressed. Eventually companies will have to be allowed to go bankrupt. The state may have to take responsibility for the bad debts and sell off the affected assets.

So far, however, the central bank has moved cautiously both with closures and the enforcement of proper accounting. Officially, bad debts are put at only 2 to 3 per cent of loan books, but in reality the problem is much larger, analysts say, and the authorities are reluctant to draw attention to the problems facing large corporate borrowers with strong political connections.

Similarly, there is concern *that closure of larger banks* would cause alarm in the public, and possibly spark social unrest as depositors tried to get their savings back.

"The authorities have to intensify their efforts at merger and acquisition and the government should participate in this," said Frans Seda, a former finance minister. But while some economists argue that the large state banks should be made responsible for absorbing smaller private banks, others are concerned that the state banks, which are themselves due for a process of merger and consolidation, are not financially strong enough to do so.

Nor is the *situation* encouraging among the private banks. Bank Danamon, one of the largest, which is known to have a weak balance sheet, is negotiating a capital injection from the Salim group and CSFB, the international investment bank. Bank Dagang, which is controlled by the Gajah Tunggal group, is heavily exposed to property.

Even with restructuring, regulation would be critically important notably with regard to the need to stop intra-group lending, says Tom Inglis of ING Barings.

"The problem isn't so much the rule book as its enforceability," he adds. "The financial sector has *grown much faster than* Indonesia's ability to regulate it."

Indonesia's recent record in this regard is not encouraging, however. Several central bank executives were were questioned by police *shortly before Christmas* amid allegations of corruption.

International faith in the first IMF package was upset following the efforts of one of President Suharto's sons, Bambang Trihatmodjo, to prevent closure of his Bank Andromeda. After threatening the finance minister with a lawsuit, he was allowed to acquire another bank, Bank Alfa, which now operates from the original *bank's premises. Whether* the new programme will fare better remains to be seen.

Peter Montagnon and Sander Thoenes

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Britain to call for united approach over Iran

By Bruce Clark in Washington and Guy de Jonquières in London

Robin Cook, the UK foreign secretary, will today launch a bid to narrow transatlantic differences over US sanctions legislation during the British presidency of the European Union.

He is expected to call in Washington for the US and EU to forge a common approach to Iran, to encourage liberalising tendencies and thwart Iran's efforts to acquire destabilising weapons and foment terrorism.

Mr Cook's speech will be designed in part to stop the simmering transatlantic dispute over US laws penalising foreign investors in Iran, Libya and Cuba from boiling over in the spring.

The US administration is under heavy pressure from Congress to decide soon whether Total of France, Gazprom of Russia and Malaysia's Petronas have violated the Iran-Libya sanctions act by agreeing to invest in a $2bn gas project in Iran.

If the companies were found to have broken the law, the administration would have 90 days to decide on sanctions against them. Such a decision would enrage France and could undermine transatlantic attempts to resolve the broader sanctions dispute.

The urgency of finding a settlement is increased by the expiry in mid-April of the EU's right to reinstate its World Trade Organisation complaint against the Helms-Burton anti-Cuba law. The EU sees the suspended complaint as its main diplomatic lever for keeping pressure on Washington.

Mr Cook is expected to seek to bridge differences over Iran by acknowledging that the EU's policy of "critical dialogue" with Tehran has failed to bring about the desired changes in Iranian behaviour.

He will express understanding of US worries about Iran's efforts to acquire weapons of mass destruction, including chemical, biological and nuclear weapons as well as ballistic missiles.

Diplomats see an opportunity to heal transatlantic rifts over Iran in the fact that the EU presidency is now held by the member state which has the closest bilateral security relationship with Washington, and takes a dimmer view of Iran than do some of its European partners.

But Mr Cook will also reiterate the Europeans' strong objection to extra-territorial legislation designed to constrain the behaviour of non-US companies.

Iran's behaviour in the coming weeks will be watched closely for signs that its more moderate rhetoric is being translated into a slowdown in its arms buildup. In particular, US and European diplomats want to see how Iran follows up on its formal participation in the Chemical Weapons Convention, sealed late last year, and whether it comes clean about the poison gas stocks it is believed to possess.

But congressional hawks will insist the US administration at least takes the first steps towards sanctioning Total, arguing that all incentives for a change in Iranian behaviour will be removed if Washington grants a waiver and investment is allowed to flood into that country.

Japan carmakers renew their European offensive

But EU manufacturers claim they are trying to export their way out of their troubles, writes Michiyo Nakamoto

Japanese car manufacturers have renewed their offensive on the European market, alarming European vehicle makers which are seeing falling exports to Japan.

Japanese exports to Europe surged 32 per cent in the 11 months to November, according to the latest figures from Japan Automobile Manufacturers Association.

"We are not happy at the moment about the trend in auto trade," says Anthony Millington, representative of ACEA, the European industry association, in Tokyo. "This is the clearest indication the Japanese are exporting their way out of their troubles at the expense of somebody else."

But a bigger threat to European carmakers is likely to be from the transplants the Japanese are busy building in the region.

Earlier this month, Toyota unveiled plans to invest £150m ($241.5m) and expand engine production in the UK. The extra investment follows its decision to invest FFr4bn ($656.8m) in a second European car plant in northern France to produce 150,000 new vehicles a year.

Announcement of the new factory created a stir among European carmakers, concerned about rising over-capacity in their home market. Toyota's expansion is the latest and most conspicuous move by Japan's leading carmakers to step up their presence in the region.

Nissan, which spearheaded the Japanese foray into Europe, is expanding its facility in the UK and will be producing 100,000 units of the Almera there from 2000 onwards. Honda is likewise expanding output at Swindon, also in the UK, from 100,000 to 150,000 next year; Mitsubishi Motors, which has a joint venture with Volvo in the Netherlands, will increase output by 50,000 next year. Japanese capacity in Europe will rise by 300,000-350,000 over the next four years.

The investments reflect a resolve among Japanese carmakers to win a greater slice of the European market. "Our presence in western Europe is extremely unsatisfactory," says Yoshimi Inaba, Toyota's director in charge of Europe and Africa. Mr Inaba intends to strengthen Toyota's western European sales and win 5 per cent of the market.

Nissan is no less determined to expand sales in Europe. "Considering how much we have invested in Europe, the region has become very important," says Akio Sumitomo, Nissan's director in charge of European business.

In addition to moving production of the Almera to Europe, the company is planning to produce a new multi-purpose vehicle as well as diesel engines and transmissions in Spain. "So, we must sell more vehicles," Mr Sumitomo emphasises.

He wants to raise Nissan's unit sales in Europe from 450,000 last year to 550,000. A 10 per cent increase in sales this year means that already, the company is inching towards 500,000 unit sales. To support its European drive, Nissan has appointed Earl Hesterberg, who was instrumental in building up its US sales, as vice-president of European sales.

Honda has targeted sales of 300,000 by the year 2000, a rise of 36 per cent. While Japanese carmakers play down fears they are launching an export offensive to counter weak demand at home, exports could grow further once a monitoring agreement between Japan and the EU expires in 1999.

The quota has not been reached over the past few years, but the recent surge in exports to Europe means Japanese carmakers are likely to fill their export quota for the first time in years, said Ed Brogan, industry analyst at Salomon Smith Barney in Tokyo. Concern among EU carmakers has led to calls for a continuation of the export curbs.

For Japanese carmakers, expansion in Europe is important at this point in their global business strategy, mainly due to the mature domestic market. The share of Japanese sales in the US has reached a politically sensitive level of about 24 per cent. Raising exports to expand sales has become increasingly risky.

The situation raises the importance of Europe as an export market to soak up excess production in Japan and maintain domestic capacity utilisation. "The good thing about the Capella, which is also sold in Europe, is that if we fall short in Japan, we can direct that to Europe," admits Ronald Leicht, senior managing director of Mazda.

The potential for higher sales in Europe is also an attractive factor. "The European market is about as big as the US. But our business is, unfortunately, not as big in Europe," says Mr Sumitomo.

Manufacturers have no illusions about the difficulties they face in the European market. "We believe our quality is better than that of European car makers," says Mr Inaba at Toyota. But loyalty to national brands and lack of familiarity has meant many Europeans have not got the message. One of the greatest challenges Japanese carmakers face in Europe is to improve their brand image, he says.

Japanese producers have been successful at exploiting market niches. Toyota's RAV4 and Honda's CR-V are sports utility vehicles European car makers do not offer. This year, Mazda is exporting its highly popular small MPV, the Demio.

Daihatsu, a much smaller company, has also had success with its Move and Grand Move multi-purpose vehicles. "You have Japanese companies that were never really that popular in Europe selling cars that were popular in Japan to the Europeans," said Christopher Redl, industry analyst at ING Barings in Tokyo.

The benefits of a weak yen allow the Japanese "to use the currency gains to plough them into Europe for marketing purposes," Mr Redl points out. The first-hand knowledge they have gained about the European market is helping them raise cost competitiveness, Mr Sumitomo declares.

Japanese carmakers are able to bring products much faster to market than their European rivals. "The Europeans are not prepared for the highly efficient manufacturing capability of the Japanese," Mr Redl warns.

If Japan wants to boost exports to help forestall a recession, it should open its domestic markets or risk renewed trade tensions with the US, US Senator Carl Levin said yesterday, reports Reuters in Tokyo.

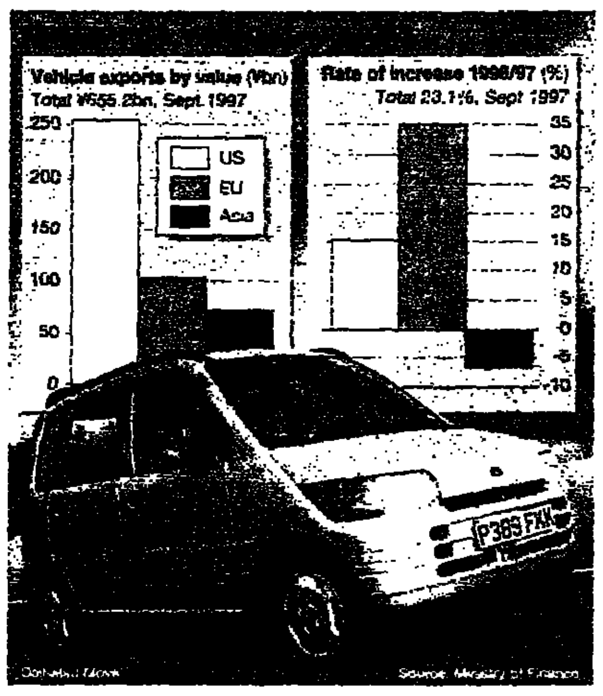
"I don't think the Congress is going to tolerate any countries that try and export their way out of an economic downturn which don't give us access to their market at the same time," he said.

While Japanese exports have risen steadily in recent months, due in large part to the strength of the dollar against the yen, imports have slumped, reflecting Japan's sluggish domestic economy.

Recent Japanese industry data showed that the number of imported cars sold in Japan fell 13.2 per cent in 1997 although the number of cars exported in the first 11 months of the year rose 25.6 per cent from the previous year.

The senator also expressed dissatisfaction at the pace of deregulation in Japan's car and car parts markets after a 1995 US-Japan market-opening pact that ended a bitter trade dispute between the two countries.

Mr Levin warned that car trade tensions could escalate this year if the US remained dissatisfied with Japan's actions.



Airport slots plan for Narita sparks protest

By Michiyo Nakamoto in Tokyo

European and Japanese airlines have reacted angrily to a possible deal between Japan and the US to redistribute used slots at Narita, Japan's main international airport, to US airlines.

The deal, which would give under-utilised slots owned by Federal Express, the US delivery service, to US passenger airlines, is believed to be a key Japanese concession towards concluding prolonged bilateral aviation negotiations with the US.

The two sides are scheduled to hold further talks in Washington next week. Such a move would pacify US demands for additional slots at Narita, which had been a significant obstacle to conclusion of a US-Japan aviation accord.

"What appears to be happening is that unused slots are being allocated to US airlines. Our concern is that what is happening is not transparent," said a European Commission official.

The EU is considering what further steps it can take against the move, including legal measures.

EU airlines, which have just one-fifth the number of slots of US airlines, risk being hurt by the latest move, the official said.

Under international rules, slots that become available because they have not been fully used are redistributed by a committee of the International Air Transport Association (IATA), under clear and transparent rules.

However, the slots which have not been used fully by Federal Express, are likely to be redistributed to US passenger airlines, rather than distributed by an IATA committee.

The US and Japan are believed to be closer to reaching an accord, after years of negotiations over market opening and onward rights.

EU concerns over the slots redistribution were raised by Tony Blair, the UK prime minister, when he met Ryutaro Hashimoto, the Japanese prime minister, earlier this week.

Sir Leon Brittan, EU trade commissioner, also pressed the Japanese transport minister for fair and transparent system of redistribution of the slots.

Japanese transport officials maintain that the slots are distributed on a national basis and as the existing slots belong to a US carrier, it is up to the US to redistribute them.

However, EU and Japanese officials claim that such a move goes against IATA rules.

Ukraine steel producers out in the cold

By Charles Clover in Kiev

"Of course I don't think it's fair," said Valentin Kulichenko, Ukraine's deputy minister of industry, discussing anti-dumping legislation introduced last month by the US against Ukrainian steel products.

Ukraine was one of four countries named by the US for selling steel at below market prices. But Ukrainian industry officials are indignant and deny the charges. They also point out that the US action will harm their industry, which is going through transition.

Ferrous metals are extremely important to Ukraine's economy, accounting for a quarter of gross domestic product, along with a quarter of export revenues. The US has given Ukrainian steel producers an import quota of 158,000 tonnes, a third of last year's exports to the US of 500,000 tonnes. The US buys roughly a quarter of Ukraine's steel exports every year.

"This will limit our export market, of course. . . I hope that our internal market will be able to compensate, however," said Igor Golchenko of Azovstal, the third largest steel producer.

Elena Ukolova, metals industry analyst of the brokerage Wood & Company in Kiev, said: "This will have a negative effect on the steel industry, though we will have to see whether Ukraine can make up for it with exports elsewhere."

Last year, Azovstal exported 300,000 tonnes of steel to the US and spent nearly $150m on investments to upgrade its facilities. This year, it can only hope to split up the quota with its fellow steel producers. An official at Azovstal said that the factory had not been dumping but selling its products at the market rate of between $260 and $270 per tonne. He claimed that US steel producers were concerned about Ukraine attaining around 10 per cent of market share in the US.

'I hope our internal market will be able to compensate'

The US is not the only country to impose a quota on Ukrainian steel. Import quotas on steel were established in 1994 by the European Union at 233,000 tonnes per year. The dumping row follows other troubles for Ukrainian metals exports. Last year, according to Mr Kulichenko, 50 per cent of Ukraine's metals were exported to Asia, though the economic difficulties there are sure to cut into demand in the coming year.

The one bright spot is Russia, which on Monday abolished a 20 per cent value-added tax on imports from Ukraine as part of an effort to end a trade war with its neighbour which has lasted for a year and a half.

When the VAT was imposed in September 1996, ferrous metals exports to Russia, previously accounting for 20 per cent of Ukraine's steel exports, were cut in half. "Among other industries, Ukrainian steel will benefit a great deal from Russia's decision to abolish the VAT," said Ms Ukolova.

NEWS DIGEST

Manila airline to scrap orders

Philippine Airlines, the country's flag carrier, yesterday said it planned to cancel orders for four Boeing aircraft. The four B747-400 aircraft were due to be delivered in phases from the end of 1999.

PAL gave no reason for the move but a local newspaper said the orders were being cancelled because of high debts and inability to turn a profit. The formerly state-owned airline was troubled by a bitter fight for management control until last year. The airline remains burdened with heavy debt and financial losses.

PAL was in the midst of a re-fleeting programme to add 36 new aircraft, of which eight were to come from Boeing. The remainder of the aircraft were ordered from Europe's Airbus consortium which said PAL was going ahead with its purchases despite its intention to cancel the four Boeing jets. *Reuters, Manila*

■ PETROCHEMICALS

Exxon to build Thai plant

Exxon of the US said yesterday it was proceeding with a $400m petrochemical plant in Thailand despite East Asia's economic turbulence. The plant, to be completed in 1999, will produce 350,000 tonnes per year of paraxylene, a raw material used to make purified terepthalic acid, or PTA. PTA is used to make polyester fabric and packaging material.

The facility will be fully integrated with the Esso Thailand 145,000 bpd refinery along Thailand's eastern seaboard industrial region. A final decision on building the plant had been delayed by the country's currency crisis.

Analysts said Exxon was building into a situation of overcapacity, with three paraxlyene or PTA plants up and running and two more being built. But the company already had much of the necessary infrastructure in place at its refinery. *Ted Bardacke, Bangkok*

■ BUSINESS DELEGATION

Daley to visit Turkey

William Daley, US commerce secretary, will visit Turkey next week with 25 chief executives and business leaders. Turkey has been targeted by the Commerce Department as a potential "big emerging market" for US business.

Mr Daley will inaugurate a US-Turkish Business Development Council, which is to provide a forum for addressing transparency, intellectual property rights and privatisation efforts in key sectors, such as energy, construction and telecommunications.

Mr Daley will also visit Greece in the first visit by a Clinton cabinet member. He will push for an opening of the government procurement sector to US companies and reforms in intellectual property protection, telecommunications and financial services. *Nancy Dunne, Washington*

Top Conservative slams Emu 'dangers'

By John Kampfner,
Chief Political Correspondent

A European single currency would deprive voters of an input into decision-making, leading to resentment and extreme nationalism, Michael Portillo said last night. Mr Portillo was chief defence minister in John Major's government until losing his seat in the House of Commons at the 1997 general election.

Mr Portillo asserted that any economic case for monetary union had disappeared a decade ago and the political case was misguided and dangerous.

His speech to the Institute of Economic Affairs in London marked an officially sanctioned attempt to consolidate the Conservative party, the largest opposition party, behind a position of outright hostility to Emu. It also suggested a growing role for Mr Portillo at the heart of the leadership.

He had been seen as the most likely successor as leader to John Major, a position won a month later by William Hague, who had also served in Mr Major's government. Mr Hague has shifted policy to opposing Emu for up to 10 years, which he says will enable a future British government to determine whether or not the project is a success.

However, Mr Portillo attacked the principle, saying it was an attempt to foist political unification on disparate European peoples. "If we shoe-horn the nations of Europe into an artificial union, we will not abolish nationalism, indeed we risk stirring it up. The danger is that we make people feel that their national interests will be overlooked, and that they cannot assert them through the ballot."

Mr Portillo's speech appeared certain to spark further Conservative in-fighting. It came a week after 11 senior members of the party said they could be prepared to campaign with the Labour government and the strongly pro-European Liberal Democrat party in a referendum on UK participation in Emu.

Their view has become increasingly marginalised by the Conservative leadership. The 11 included Michael Heseltine, who was Mr Major's deputy prime minister; Kenneth Clarke, his chancellor of the exchequer, and Chris Patten, a former minister who later became the last governor of Hong Kong.

Mr Portillo took issue with two arguments put forward by advocates of Emu – that it would rein in nationalism, and accelerate political de-centralisation.

A European central bank, accountable to a European parliament of limited public credibility, would produce new grievances.

Reassurance for party's Euro-MPs

There will be no purge of pro-European Conservative members of the European Parliament in the run-up to the next Euro-elections, Lord Parkinson, chairman of the Conservative party, said at the parliament yesterday.

He moved to reassure the party's 18 members of the parliament that, far from being deselected, they will receive priority treatment in the proportional representation list system that will be used for first time in next year's election.

The new system, dividing the UK into 12 European regions returning a total of 87 MEPs, will mean that all sitting MEPs will have to fight for selection again. The Conservatives insist they will not demand a "loyalty test" on the MEPs' position on the planned European single currency.

"The basis is one member, one vote: the process of whittling down the original list will be carried out by Euro constituency and Westminster chairmen in each region. Every sitting member will have the right to go straight through to the final interview stage."

Trains, planes and oil rigs hit by tax changes

The leasing sector is smarting from the Budget, reports Charis Gresser

Peter Miles, managing director of Lloyds Leasing, is unlikely to forget quickly the tax changes in last year's Budget. Mr Miles reckons he saw £1bn worth of potential leases stopped almost overnight.

Six months later the picture looks even worse. The latest figures show a 60 per cent fall in the financing of big ticket leasing, which covers deals worth more than £20m from aeroplanes and trains to offshore oil platforms and power stations. In the three months to November 1997, the value of new leases was £557m, compared with £1.5bn for the same period the year before.

The last time the outlook was so grim, the UK was in a fierce recession. Now the industry blames the government. Martin Hall, director general of the Finance & Leasing Association, says: "The changes have put finance leasing at a disadvantage and have introduced uncertainty."

He adds that the association has won assurances from the government that "there is no question of a purge on leasing", but he warns that to batter the industry further would threaten investment. One of the more serious Budget changes concerns the apportionment of capital allowances.

Leasing companies are allowed to offset a certain percentage (currently 25 per cent) of the value of an asset against taxable profits.

A large proportion of that benefit is passed on to the lessee, say a train company or an airline, which has decided to lease because it does not have enough taxable profits of its own to be able to take advantage directly of these allowances.

The last Budget introduced some restrictions on ways in which the allowances are apportioned, thereby making some financing deals less attractive.

Other restrictions on allowances for sale-and-leaseback deals have also caused difficulties for companies whose assets take more than a year to build. Despite representations from a number of influential industries, including the aerospace and oil sectors, few expect a neat reversal of the changes.

Instead, many predict that the changes will usher in a trend away from finance leasing and towards operating leasing, which was left unscathed by the Budget.

The difference is that at the end of a finance lease, the lessee will have paid out the full value of the asset. In other words, its value will have been completely written off over the period of the lease.

But in an operating lease, the lessor, usually a bank, retains ownership of the asset, which has a residual value at the end of the leasing period. Determining that residual value is the thorniest bit. But that is also where the profit can lie.

Rail leasing provides an example. This is a new market and the industry is split on how to measure its potential. Two leasing companies have already taken the plunge and each bought a rolling stock company – or rosco – sold off as part of railway privatisation. The companies are Forward Trust, owned by HSBC, the banking group, and Royal Bank of Scotland.

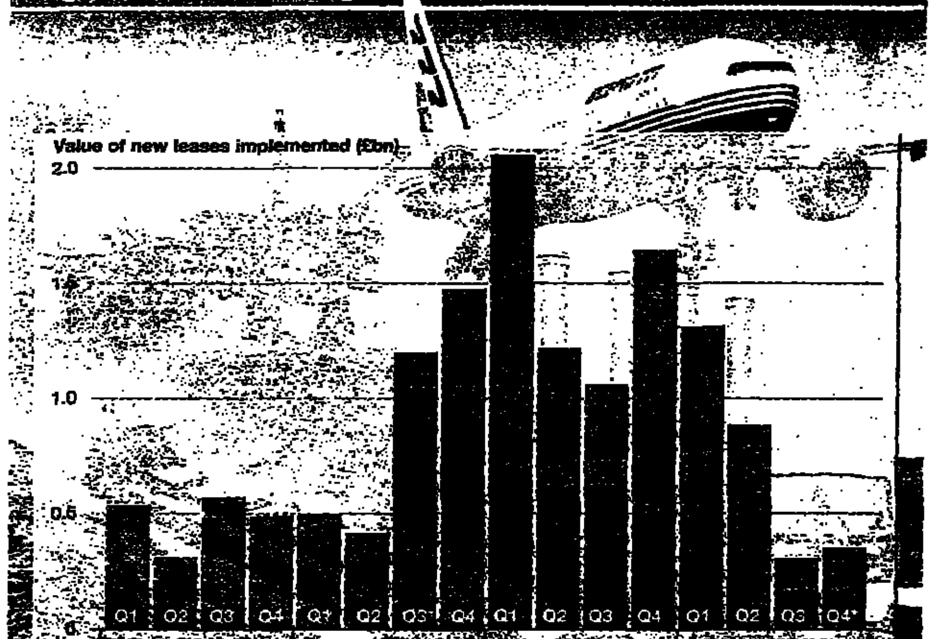
Noel Quinn, the director of Forward Trust's rail division, concedes that operating leasing can be trickier to evaluate. "Operating leasing is not just a numbers game. You need an understanding of what a train will be worth in 10 to 15 years' time. By buying a rosco, we acquire years of rail industry experience."

Other leasing companies, however, prefer to pick and chose their train leasing deals rather than go the whole hog and buy a rosco outright. This is partly because there is still little agreement on what a train will be worth when the operator's franchise to use it runs out.

There is also a political risk. "The government may decide that it can no longer afford to subsidise a route to the same level as before," adds Mr Miles.

Nevertheless, with their traditional market of finance leasing being squeezed by the government, few of the leasing industry's traditional participants can afford to stay out of new operating lease markets – such as rolling stock – for long.

> 'The changes have put finance leasing at a disadvantage and introduced uncertainty'



GTech lawyer roasts 'amateur' Branson

By John Mason,
Law Courts Correspondent

National lottery regulator Peter Davis failed to act over a claim that the chairman of GTech, a partner in the Camelot consortium, offered a bribe to Richard Branson to withdraw from the contest for the lottery franchise, the High Court in London heard yesterday.

The Virgin founder said yesterday that when he told Mr Davis of the alleged bribe attempt, the director general of Oflot said the US lottery equipment supplier had been investigated and cleared by Interpol.

Giving evidence in his libel battle with Guy Snowden, the GTech chairman, Mr Branson said he reported the bribe offer, made in September 1993, to Mr Davis in May 1994. He had expressed surprise that GTech had been allowed to be part of the winning consortium when there had been bribery allegations against it in the US and it had attempted to bribe him, he said.

Mr Davis said GTech had been fully investigated and "for the job they have got to do they have a clean bill of health", Mr Branson said.

In the two-way libel action, Mr Branson is suing GTech, Mr Snowden and Robert Rendine, its director of communications, for accusing him of lying. Mr Snowden is suing him for alleging on BBC television he offered the Virgin founder a bribe when the two men met over lunch.

Earlier, Mr Richard Ferguson, a lawyer for Mr Snowden, said it would have been "madness" for the GTech chairman to offer a bribe to Mr Branson in front of a witness – John Jackson, the current Sketchley chief executive. "To offer a bribe to someone who could use that offer against you, to destroy all the hard work you had put into your bid – it doesn't add up, does it?" he told the jury.

Mr Branson had wrongly interpreted what was said because he had been humiliated and made to appear a "crass amateur" by the American businessman who had refused to join the Virgin bid for the lottery.

Mr Branson claimed that, immediately before Mr Snowden made his bribe offer, the GTech chairman had said Virgin's support for a non-profit-making lottery would "cost us millions" because it would have to increase the amount GTech and its partners were offering to distribute to others.

Mr Snowden shifted towards Mr Branson and then made the bribe offer, the court heard. Shocked, Mr Branson told a colleague: "One of the most odious men I have ever met in my life has just tried to bribe us", the court heard. The case continues.

Brussels backs easing of N Ireland beef ban

By Daniel Dombey
in Brussels

The European Commission yesterday approved a partial abandonment of the export ban on British beef imposed when "mad cow disease" triggered a crisis in UK relations with the rest of the European Union almost two years ago.

The proposal, approved after close consultation with the UK government, applies only to Northern Ireland. Jack Cunningham, UK agriculture minister, said: "This marks a significant step forward in regaining access to international markets for British beef."

The 15 member governments of the EU will have to be persuaded before the sale of British beef can resume outside the country's borders. A core of countries, led by Germany, has expressed worries about whether British beef is safe.

Franz Fischler, EU agriculture commissioner, said: "If a majority of member states are against the proposal, then nothing happens."

According to the plan, deboned beef from herds certified free of BSE – initially only Northern Irish cattle – could be exported subject to conditions:

● Beef would have to be slaughtered in abattoirs that dealt with meat for export only, a measure the UK initially resisted.

● The meat must come from cattle more than six months and less than 30 months old at the time of slaughter.

● The herds from which the animals come must have been free from BSE for at least eight years.

● The movements of the cattle must be registered on an official computer database.

Northern Ireland is the only part of the UK with a fully computerised tracking system. Elsewhere, the data on individual livestock are kept on paper certificates.

Northern Ireland also has fewer cases of BSE than the rest of the UK. By the end of last year, there had been 1,766 confirmed cases of BSE in Northern Ireland, compared with 169,947 in Great Britain.

The commission's support for the proposals follows backing from a committee of scientific advisers in September last year. But the agreement of member states is needed if the certified herds scheme is to go ahead.

The scheme will now go forward for discussion by separate committees of veterinary officers and agriculture ministers, but no vote is likely in the immediate future. The issue may not be decided for months.

Licence fee proposed to pay for 'plough to plate' watchdog

Food sellers may fund safety unit

By George Parker
and John Willman

Food producers, shops and restaurants may be asked to pay up to £200m ($325m) a year to fund the new Food Standards Agency – possibly through a flat-rate licence fee.

Jack Cunningham, agriculture minister, said the industry should pay part of the costs of the new agency, which will be charged with raising food standards throughout the food chain from "plough to plate". The government argued that the food industry could easily absorb the charges, which would amount to less than 0.5 per cent of its £52bn annual turnover.

Mr Cunningham, launching a government white paper (policy paper) about the agency, stressed that ministers were prepared to consult widely on the charging regime for the new agency, which could be established next year.

But he was adamant that the industry should pay for a new regime which is intended to raise consumer confidence in the wake of the "mad cow" crisis and numerous food poisoning outbreaks.

As an example of the government's thinking, he said one option might be for a flat rate licence fee for the UK's 600,000 food premises, ranging from manufacturing plants to shops and restaurants.

Officials pointed out that a charge of £100 would raise £60m towards the running costs and argued that the impact on food bills would be minimal. A loaf would probably cost less than a penny extra.

But the charging proposals were criticised by Michael Mackenzie, director-general of the Food and Drink Federation, who said: "A 'food poll tax' will unfairly disadvantage the UK food and drink industry's competitiveness both on supermarket shelves and in exports."

Under Mr Cunningham's proposals, responsibility for food safety and standards will be stripped from the ministry of agriculture and put in the hands of an independent agency reporting to the chief health minister.

Editorial Comment, Page 13

Truckmakers fear dip in sales

UK truck registrations: December 1997

	Dec 1997 Volume	Dec 1997 % change	Dec 1997 % share	Dec 1996 % share
Total	3,399	35.9	100.0	100.0
Imports	2,115	58.3	62.2	53.4
Leyland Daf (Paccar)*	561	27.2	16.5	17.6
Iveco Group** (Fiat)	1,015	29.0	29.9	31.5
Mercedes-Benz (Daimler Benz)	623	111.9	18.3	11.8
Volvo	268	–2.2	7.9	11.0
Scania (Investor)	275	16.5	8.1	9.4
MAN	208	89.1	6.1	4.4
ERF	164	3.8	4.8	6.3
Renault	183	76.0	5.4	4.2

Source: Society of Motor Manufacturers and Traders; industry estimates. Names in brackets indicate ownership * Paccar also owns Foden ** Includes Iveco, Ford & Seddon Atkinson

There is growing pessimism among truck manufacturers and dealers about sales prospects, John Griffiths writes. The likelihood of more interest rate rises, cancellation or postponement of big road building projects and uncertainties over future transport policies have left confidence "looking a long way off", said Roger Phillips, a director of Iveco-Ford, the UK market leader. He forecast unchanged sales of about 45,600 trucks over 3.5 tonnes during 1998.

Registrations of these trucks fell last year to 45,617 from 50,153, but light vans rose by 12 per cent to 80,540. Sales of bigger panel vans (those not derived from cars) rose by 11.8 per cent to 130,484.

The industry was also surprised that truck sales were 35 per cent higher in December, at 3,399, than in the same month a year before when sales were artificially low because of exhaust emission legislation changes.

Leyland Daf, the UK's closest rival to Iveco-Ford, and the Society of Motor Manufacturers and Traders, the principal industry lobby group, are in broad agreement with Mr Phillips' assessment.

● As part of preparations for the government's paper on an integrated transport policy, due in April, the transport department has commissioned research into the powered two-wheeler sector, to identify modes of transport now used by people who might switch to powered two-wheelers; and the range of journeys for which powered two-wheelers may be substituted for public or car transport.

Leading sellers in 1997

Cars	Numbers sold		Numbers sold
Ford Fiesta	119,471	Renault Megane	51,864
Ford Escort	113,622	Volkswagen Polo	55,235
Ford Mondeo	107,239	[illegible]	50,089
Vauxhall (GM) Vectra	93,778	Peugeot 406	47,395
Vauxhall Astra	88,597	Fiat Punto	[illegible]
Vauxhall Corsa	79,898	Nissan Micra	42,858
Peugeot 306	65,665	Renault Laguna	[illegible]
Rover 200	62,365	BMW 3 SRS	40,312
Rover 400	61,512	Volkswagen Golf	[illegible]
Renault Clio	58,033	Citroën Saxo	36,885
Motorcycles	**Market share**		**Market share**
Honda	25.5%	Triumph	[illegible]
Suzuki	19.4%	Ducati	3.5%
Yamaha	18.8%	[illegible]	[illegible]
Kawasaki	12.9%		

Sources: SMMT; Motorcycle Industry Association

UK NEWS DIGEST

Treasury urges pay restraint

The Treasury yesterday stepped up its call for pay restraint, as sharp increases in employment and earnings growth raised the prospect of higher interest rates. Average earnings rose 4.75 per cent in the year to November, up from an initial estimate of 4.25 per cent in the year to October. The Office for National Statistics said the pick-up was largely fuelled by overtime payments in manufacturing and higher bonuses across the economy.

The number of people unemployed and claiming benefit fell for the 22nd consecutive month, dropping 28,700 to 1.41m. The alternative Labour Force Survey measure showed unemployment dropping half a percentage point to 6.6 per cent of the workforce between the summer and autumn. Over the year to last autumn, 637,000 jobs have been created in the private sector.

Eddie George, the governor of the Bank of England, the UK central bank, said wage pressures were one reason why "the going is becoming more difficult". To avoid accelerating inflation, "the rate of growth of the overall economy needs to moderate – quite soon and quite sharply", he told a chemicals industry dinner. The Bank's monetary policy committee – which sets interest rates – fears bigger wage increases will fuel inflation. The Bank has warned that earnings growth above 4.5 per cent is not compatible with the government's inflation target of 2.5 per cent. *Richard Adams*

■ WAGES IN STATE SECTOR

Hospital staff make 10% claim

The prospect of a tough public sector pay round increased yesterday when Unison, the biggest health service union, tabled a 10 per cent wage claim for 66,000 ancillary hospital staff. It is the first to be submitted this year for state health service staff not covered by the pay review bodies – which negotiate pay in the public sector. Tomorrow, similar 10 per cent claims will be submitted for 150,000 administrative and clerical staff in the state health service and for 40,000 professional and technical staff.

Unison said ancillary workers were among the poorest paid in the country, with rates starting at £3.46 ($5.63) an hour. *Andrew Bolger*

■ CHEMICALS

Output falls as imports increase

UK chemical industry output fell last year for the first time since 1990 as imports rose and domestic demand dropped, the Chemical Industries Association said yesterday. Malcolm Mitchell, chairman of the association's economic appraisal committee, told a conference in London that the 0.25 per cent reduction was linked to declining production in industries which bought large volumes of chemicals. The pharmaceuticals sector, which accounted for more than one quarter of demand, saw output fall by 1.5 per cent. The association expects UK industry output to grow by only 2 per cent this year compared with an average 3.5 per cent increase across European chemical industries. *Michael Peel*

■ THE ARTS

Granada appointment confirmed

Gerry Robinson, the chairman of Granada, was confirmed yesterday as chairman of the Arts Council of England. He will succeed Lord Gowrie, who is leaving a year early. Mr Robinson, 49, is an active supporter of the governing Labour party, and follows a line of political appointments to what is regarded as the most influential position in the arts. *Antony Thorncroft*

■ EDUCATION

Graduates 'lack writing skills'

Small companies believe the education system does not meet the needs of their workforce, according to a survey by the British Chambers of Commerce. More than 60 per cent of 343 small companies surveyed believed school-leavers lacked basic writing skills, with the same complaint levelled at graduates by 38 per cent of respondents. More than half the companies also criticised graduates' grasp of the business world. The survey, conducted with Alex Lawrie, the business finance specialists, said skills shortages were threatening the competitiveness of small companies. Almost a third of the small companies said inadequate skill levels in sales and management staff were adversely affecting their competitiveness. *Andrew Bolger*

■ WELFARE

Benefits fraud reaches $3.5bn

More than 880,000 people fraudulently claimed around £2.2bn ($3.5bn) in income support and disability living allowance – welfare benefits – in 1996-97, according to a report published today. The survey from the National Audit Office, a public spending watchdog, also says that in the same year, almost one in five welfare payments made by the Benefits Agency were inaccurate. Incorrect assessment of income support alone led to overpayments of £337m and underpayments of £127m. News of such fraud and error comes soon after Tony Blair, the prime minister, has taken personal responsibility for reform of the £90bn a year welfare state. He has repeatedly said the new system "should be designed so that fraud and abuse are minimised". *Simon Buckby*

■ DIRECTORSHIPS

Ex-national soccer coach banned

Terry Venables, the former England soccer coach was yesterday banned by the High Court from being a company director for seven years, after admitting misconduct in the management of four companies. He is now national coach for Australia. Just two days after he abandoned his latest business venture by relinquishing control of Portsmouth football club, Mr Venables decided to admit or not contest 19 specific allegations of misconduct made against him by the UK government's Department of Trade and Industry. The court case was brought by the DTI in 1995 and stemmed from alleged mismanagement of four companies during the early 1990s: the London nightclub Scribes West, a company called Edennote, Tottenham Hotspur Football and Athletic Company and its parent group Tottenham Hotspur plc. It was during his stint as chief executive and major shareholder of Tottenham Hotspur in 1991-93 that Mr Venables' complicated business affairs first came to light. *Patrick Harverson*

ARTS

Cinema/Nigel Andrews

Hedonism of a bygone age

BOOGIE NIGHTS
Paul Thomas Anderson

PRETTY VILLAGE, PRETTY FLAME
Srdjan Dragojevic

DEVIL'S ADVOCATE
Taylor Hackford

BRING ME THE HEAD OF MAVIS DAVIS
John Henderson

DEVIL'S ISLAND
Fridrik Thor Fridriksson

Sometimes putting two proverbs together is like combining nitrogen with glycerine. Proverb-of-the-week number one says "If you remember the 1970s you never experienced them"; proverb two says "Those who do not remember history are condemned to *repeat it.*" *Ergo*: an entire older generation that crashed out during the Me decade can now join the younger generation as the era re-explodes around them in *Boogie Nights*.

Of course we *were* conscious back then. How else would we recognise in Paul Thomas Anderson's wittily sprawling fresco, centred around the California porn industry, the period's tics and tropes? Hip-slung flares and rib-hugging floral shirts; sex with everything, and everything – at least in mainstream cinema – with Burt Reynolds.

The forgotten star leads the cast here, grey of wig but unaged of wry wit, as a maker of "adult films" whose empire crumbles at the onset of the video 1980s. Mark Wahlberg's young skinflick star is the innocent on the make – and sex *did* seem innocent before Aids – while Julianne Moore's porn diva mothers him until time and his own brattish tantrums write him off the screen. Act two of this two-and-a-half-hour-movie is a sly, if more predictable, tale of decline and fall.

Nashville-style, Anderson lets reality create itself around an eternally milling camera. There is always one more human comedy in play, or several, just beyond the immediate point of focus. A couple make love by Reynolds' pool, surrounded by gawpers, while the woman's husband (William H. Macy of *Fargo*) rages quietly in the foreground. A sea of faces register happy shock at the first sight of Wahlberg *en deshabillé*, while the sight itself blurs into background.

The hedonism of a bygone age may be *Boogie Nights*' satirical target. But the film is also about time's victimisations: about a society pushed so fast through the revolving door of change and fashion that *everyone* is finally powerless, even those with seeming power. Reynolds' self-styled craftsman of screen carnality gets lost in the VCR slipstream. His money man (Robert Ridgely) lands in jail. And the movie itself claws gleefully through so many styles – Altman, Coen brothers, Tarantino – that only its prodigious sense of poise creates a knowing, eclectic social epic out of what might have been a pastiche overwhelmed by its own material.

★

What does it take to convey the horror of war, through fiction, to an audience dazed and numbed with media-reported fact? Srdjan Dragojevic's *Pretty Village, Pretty Flame*, by far the best film to date on the Bosnian war, does just that. Its power as a fable soars far beyond even its own rough origins in a true-life incident.

The group of Serb soldiers trapped in an abandoned road tunnel, unable to escape while besieging Moslems broadcast taunts and the cries of the tortured, has the power of reality amplified by infernal metaphor. The story, like the whole war, is a kind of deranged stand-off. As the soldiers dream of peace in their cul-de-sac, the film's flashbacks are like tunnel-breathers allowing them the little emotional air they have.

Scenes from the past life of Milan especially (Dragan Bjelogrlic), conjure the sense of personal cataclysm meshed with public crisis. Before the war, he and his Moslem best friend Halil opened a car repair shop. Now they are baying at each other and trying to shoot each other.

Or not even "now". For in this film's bleakly cyclical structure even the tunnel story is contextualised as a flashback, framed by scenes in a hospital where Milan and his co-survivors scheme the death of a Moslem patient. And so the war goes on, even away from the war . . .

Dragojevic knows the worst secret of all, that horror can be funny. At times his trapped soldiers go beyond despair into a black hole of terminal hilarity. A bottle of urine is used as drinking water; a last kiss is demanded, of the woman reporter trapped with them, by a soldier who has vowed to blow his brains out. (He does.) Then there is the cow grenaded in the tunnel entrance by Croats who taunt "No more milk today"; or the woman prisoner sent in who may be packed with dynamite and must therefore be shot by the Serbs before she reaches them.

No one has control over destiny, or even over their own thoughts and emotions. In a flashback scene of pinpoint poignancy, two schoolboys spy on a lovemaking couple in a field. When the couple's radio announces Tito's death – the end of a united Yugoslavia —the man and girl begin to blub while the schoolboys, mimicking their elders, also try to cry but can't. Message received and acknowledged: you have to have to lived through ecstasy to know despair, then through despair to know the final shrug of cosmic comedy.

★

In *Devil's Advocate* the cosmic shrug is enacted by Al Pacino. Whiffy with sulphur and lit from below in almost every shot, his character runs a top New York law firm. One day he recruits Florida wonder-lawyer Keanu Reeves, who never lost a case, and shows him the glories of the world from a Manhattan rooftop. Christ, Devil, temptation in the wilderness? Get it?

Alas, the film's 140 minutes seem like 140 days and nights. Satan, in best Pacino fashion, struts, barks, phrase-spins and mispwonounces his Rs, stealing not just the best tunes but the whole score. No one else, least of all a lost-looking Reeves, gets a chance even to tune up. Director Taylor Hackford made the popular *An Officer And A Gentleman* and the powerful *Dolores Claiborne*. Here he seems to have given his own cosmic shrug, vainly hoping that runaway design and special effects – including a giant bas-relief of tumbling souls that comes climactically to life – will stream into the empty gullies of the story.

★

You could go quietly mad watching *Bring Me The Head Of Mavis Davis*. As a satire on showbiz greed, ego and malarkey, it has more than enough of each to be shot down by its own firepower. Rik Mayall sports bleached hair and an idiot grin as a record producer set on assassinating client Jane Horrocks, a torch singer with a fading battery. While they run around London panting, grimacing and falling over, director John Henderson follows likes a man who regrets leaving the peaceful setting and plausible life-forms of his last film, *Loch Ness*.

Devil's Island is like *Coronation Street* with extra dystopia. Deep in postwar Iceland live the native barracks-dwellers left over when the US army moved out. They are gripped by an alien pop culture – Elvis, Hollywood, fin-tailed cars – and one youth (Baltasar Kormakur) even goes to the US, to be swiftly spat back as a sideburned delinquent.

Fridrik Thor Fridriksson's film plays like the play it once was, with doors banging at each exit and entrance. But it is spiritedly acted and often funny, not least when sepulchre-faced Granny (Sigurveig Jonsdottir) steps into view, her ashes-to-ashes Biblical cant aptly illustrated by a permanently dripping fag end.

Social epic of the 1970s: Julianne Moore as a porn diva in Paul Thomas Anderson's 'Boogie Nights'

Theatre

In the shadow of death

It is 70 years since R.C. Sherriff's *Journey's End* was first staged and it is difficult to conceive now what impact the play must have had at the time. Just 10 years after the end of the first world war, here was a play set in a dugout that portrayed a group of officers struggling with shell shock, paralysing terror and idiotic orders from above. Now we are used to documentary plays about the grubbiness of war, and so Sherriff's holds few surprises. Yet it has lost none of its power to move, which lies in the playwright's sympathetic portrayal of a group of men trapped *in extremis*. In David Evans Rees's revival for the Kings Head, the play's humane appeal is the stronger because the size of the theatre means one is pretty much incarcerated with the men.

The play takes place over three days in 1918 leading up to a massive German offensive. We know then that nearly all the characters we meet are about to be slaughtered; indeed, most of the characters suspect this, too. Much of the interest of the play lies in how they deal with the terrible knowledge. Despite the impending attack, the men's conversation crackles with humour.

But as he builds up his portrait of camaraderie, Sherriff slowly reveals the shaky emotions behind the stiff upper lips and blows open the question of what makes a hero. Central to the debate is Captain Stanhope (Samuel West). Stanhope, we learn, is indeed a hero: brave, tireless and loved by his men. But the cost is clearly enormous. He can sink a bottle of whisky at one sitting, and though West has the fine profile, glacial manner and clipped delivery of a matinee idol, his eyes burn and his hands shake. His terror is tested further by the discovery that Raleigh, a young schoolfriend who idolised him, has joined his company (a superbly gauche and raw Kris Marshall), and by a confrontation with the shell-shocked lieutenant Hibbert (Sion Rees), who tries to desert.

While Stanhope drowns his memories with whisky, and Hibbert struggles to control his shivering, the other men are brave in a less obvious way. Lieutenant Trotter (Don Cotter) is a rotund, jovial fellow who cloaks his fear in affability; and Lieutenant Osborne, a reserved, pipe-smoking gent who finds solace in *Alice in Wonderland*. Osborne is the most affecting of all the characters. Given a rich, warm performance by Miles Richardson, one grows to love and respect this mild-mannered man, who talks fondly of his sons and his rockery, and whose response to being told he must undertake a surely suicidal raid on the enemy front line is a quiet "right-o". The scene where he and young Raleigh try to kill six minutes before the raid by talking about pigs brings our hearts into our mouths.

It is in passages like this that the play and the production succeeds. The production's biggest failing is that it lacks the necessary tension and accelerating pace. But Evans Rees draws immensely truthful performances from his fine cast, and details are brought home with terrible poignancy. When the cook (splendidly funny Paul Cawley) wipes the table, he has to move the wedding ring Osborne has left behind; and when Stanhope ministers to the fatally wounded Raleigh, the boy's jacket sleeves barely cover his lanky, teenage arms – and we remember that these two "men" are in fact 21 and 18 apiece. Thus, 80 years on, the raw pity of war strikes us as if new.

Sarah Hemming

King's Head Theatre, London N1 to February 7 (0171 226 1916).

Opera/Andrew Clark

Top-drawer Martinu

Whatever else the Martinu week at London's Barbican throws up, the opening salvo has uncovered one pure gem: his lyric opera *Ariane*, composed in the last year of his life and now receiving its UK premiere. Stephen Medcalf's staging at the Guildhall School of Music and Drama, conducted by Clive Timms, confirms what some of us have been arguing for years – that Martinu is one of the 20th century's great theatre composers. *Ariane* is noble, human, infinitely sad and truly sublime, a jewel in the stony wastes of postwar European opera and a monument to classical simplicity. I defy anyone not to be moved by Ariadne's closing lament, one of the most tragic and yet curiously consoling operatic apotheoses I have ever heard.

The beauty of *Ariane* is not just that it contains some of Martinu's purest music, but that it works on so many levels. Based, like *Julietta*, on a play by Georges Neveux, *Ariane* is much more concise in form and symbolic in content. It presents an unfamiliar version of the Ariadne legend: Theseus arrives at Knossos to kill the Minotaur, is distracted by Ariadne, and confronts the Minotaur not as a monster but as the image of himself in love with Ariadne. After slaying it, he abandons Ariadne to her fate.

All this is telescoped into 45 minutes of riveting theatre, in which we are constantly challenged to probe the apparent innocence of the plot. Who does Theseus kill? The Minotaur, his own double or the ensnaring reminder of Ariadne's emotional/sexual hold on him? The libretto is a compendium of unanswered questions, oblique hints and subtle parallels between classical myth and everyday life. Likewise, the score implies more than appears on the surface. There are three instrumental Sinfonias, three self-contained dramatic sequences and the closing aria. At first sight the model is early baroque – but the deeper one goes, the more one realises what an inspired synthesis Martinu has made of classical precedent and his own unmistakeable personality.

All these qualities are underlined by the Guildhall production, where tight financial resources have resulted in admirable economy of expression. By his discreet use of masks, his imaginative use of silhouette and the sheer clarity of his visual symbols, Medcalf holds the Greek, the baroque and the modern in perfect harmony. The decision to choreograph the Sinfonias pays off handsomely: it is done so naturally that you cannot tell where the dance ends and the drama starts.

And just as the barren stage is suffused with Mediterranean light, the orchestral accompaniments suggest an idiom more universal than Czech pastoral lyricism. Timms ennobles the Straussian idiom of the central duet, and digs into the brazen rhythms of the Sinfonias even more persuasively than Neumann on the Supraphon recording – it's hard not to lapse into foot-tapping. Thanks to the flutes of the Guildhall Sinfonia, the arabesques at the end of Scene 2 are balm to the ear.

The production underlines that only two roles really matter. Caroline Childe brings to Ariadne a larger, richer voice than the coloratura soprano usually ascribed to the part; she sings with poise and feeling, but tends to look like a housewife let down by a faithless lover. As Theseus, Mark Stone is short on charisma, strong on vocal eloquence. The standard of French is good.

If *Ariane* is top-drawer Martinu, the other half of the evening underlines how unevenly he composed. Two little-known orchestral works, the Overture (1953) and Intermezzo (1950), come across as a formulaic rehash of techniques used far more convincingly in the last three symphonies. As for *The Strangler* (1948), a 25-minute ballet commissioned by Martha Graham, the music smacks too much of crumbs of inspiration. In Maxine Braham's tactile Guildhall scenario, the Oedipal inspiration of the piece is examined on the psychoanalyst's couch – leaving us not much wiser.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
Medieval illustrated histories: the Hausbuch and its Master. Drawings, prints and a panel painting by the the Master of the Amsterdam Cabinet, including the 64 sheets of the Hausbuch, which has been taken apart for restoration; ends on Sunday

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Nikolaus Harnoncourt in works by Beethoven; Jan 16, 17, 18

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Jan 15

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Shell LSO 21st Anniversary Concert. Conducted by Elgar Howarth in works by Mendelssohn, Jacobs, Cashian and Britten; Jan 21

Queen Elizabeth Hall
Tel: 44-171-928 8800
London Sinfonietta: Elliott Carter at 90. Oliver Knussen conducts a programme of works by Carter, including the UK premiere of his Clarinet Concerto. With soloist Michael Collins; Jan 19

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
The Royal Ballet: Cinderella; Jan 15, 16, 17

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Recognising Van Eyck: bringing together several rare works by the 15th century Netherlandish master alongside other works; to Mar 15

Tate Gallery
Tel: 44-171-887 8000
The Turner Prize 1997: display of works by each of the nominees on this year's all-woman shortlist; ends on Sunday

Victoria and Albert Museum
Tel: 44-171-938 8500
Carl and Karin Larsson: Creators of the Swedish Style. Recreates five rooms of the famous house at Sundborn, and examines its extraordinary impact on the interior design of our century; ends on Sunday

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Le nozze di Figaro, by Mozart. Conducted by Charles Mackerras, with designs by Peter Pabst; Jan 19, 21

■ LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 15, 18, 21

■ MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Il Cappello di Paglia di Firenze: by Rota. Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 15, 16, 17, 20

■ MUNICH

EXHIBITIONS
Haus der Kunst
● Ellsworth Kelly: retrospective of the American abstract painter and sculptor, b. 1923, now in his 70s and one of the most distinguished living artists; ends on Sunday

■ NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
Jewels: by Balanchine, to music by Fauré, Stravinsky and Tchaikovsky; Jan 17

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
On the Edge: Contemporary Art from the Werner and Elaine Dannheisser Collection. More than 80 works by artists including Tony Cragg and Cindy Sherman; to Jan 20

Whitney Museum of American Art
Tel: 1-212-3272801
● The Warhol Look/Glamour Style Fashion: major retrospective of around 500 works of art, following Warhol's career from the 1940s to the 1980s, and also including works by his contemporaries; ends on Sunday
● Fashion and Film: running concurrently with the Warhol show, this film and video series traces the relationship between the two industries, from early fashion newsreels and the studio designers of the 1930s to the present; ends on Sunday

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 16, 21
● La Cenerentola: by Rossini. Met Opera premiere. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Jan 15, 20
● *The Rake's Progress*: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Jan 17

■ PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Gilbert Varga in works by Strauss, Kancheli and Dvorák. With cellist Mstislav Rostropovich; Jan 21

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Russian State Symphony Orchestra: conducted by Evgueny Svetlanov in works by Sibelius and Stravinsky. With violin soloist Dimitri Makhtin; Jan 20

EXHIBITIONS
Musée Carnavalet
Tel: 33-1-4272 2112
Paris and the Parisians in the time of Louis IV: more than 300 engravings, which together create a vivid impression of 17th century Paris. Including portraits, images of the city and its monuments, as well as proverbs, allegorical works, and almanacs; ends on Sunday

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
Pajou, sculpteur du Roi: first retrospective devoted to works by the French sculptor (1730-1809); ends on Monday

■ ROME

EXHIBITIONS
Musei Capitolini
Henri Matisse: more than 200 works are included in this major exhibition, which aims to demonstrate the profound influence of Oriental art upon the great modernist; to Jan 20

■ SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
Tosca: by Puccini. Conducted by Maurizio Barbacini in a staging by Lotfi Mansouri. Georgina Lukacs sings the title role; Jan 16, 18

■ VIENNA

EXHIBITIONS
Jüdisches Museum
Tel: 43-1-535 0431
www.jmw.at
Max Liebermann: selection of paintings by the German Impressionist, and French Impressionist works he collected; ends on Sunday

■ ZURICH

EXHIBITIONS
Kunsthaus Zurich
Tel: 41-1-251 6765
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Voyage into the Unknown, comprising 130 paintings, collages and sketches; to Jan 18

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Mark Gay of FTTV reports live from LIFFE as the London market opens.

Economic policymakers have been fighting the last war so long, they can't see they're about to enter a very different battle on the opposite front.

The old war was against inflation. It shaped the fears of those who watched it run out of control in the 1970s. Yet the inflation war is largely over. The enemy may re-emerge in the future, and it is important to keep a vigilant eye. But for now, inflation is vanquished. The new enemy approaches from the opposite direction. While our policy artillery is still aimed at the spectre of spiralling inflation, the real danger is spiralling deflation.

The generation that witnessed the worldwide depression of the 1930s recalls the power of this enemy, but memories are distant. The seeds of depression were sown in the late 1920s, when demand began to fall. By 1927, sales of houses, cars and consumer durables were in decline, commodity prices had turned downwards and industrial production began to fall. We are entering a similar era. But we have become so accustomed to the danger of excessive demand that we no longer appreciate the danger of its opposite – inadequate demand. Nor do we feel the urgency of taking pre-emptive action.

A deflationary spiral can be as dangerous as an inflationary one. Falling prices squeeze profits, causing companies to reduce wages and cut employment. As a result, workers have less money for goods and services, causing prices and profits to drop further. The value of property bought on credit declines until it is worth less than the debt owed, resulting in defaults. Lenders are unable to make further loans. The crisis deepens.

A vicious deflationary cycle can also let loose a vicious social cycle, worsening the economic one. In contrast with periods of strong demand, characterised by low unemployment and rising wages, periods of weak or receding demand lead to higher unemployment and falling wages. Deeper indebtedness, combined with higher unemployment, may give rise to strikes, changes in democratically elected governments, or violent forms of unrest. Such instability further slows the economy.

Personal View · Robert Reich

Deflation: the real enemy

Policymakers should forget inflation and focus on the danger of falling prices and demand

Even before the Asian currency crisis, world prices were falling for basic goods, such as food, energy, steel and other commodities. On January 8, the US Labor Department announced wholesale prices had dropped 1.2 per cent in 1997. The core rate of price inflation (which excludes energy and food) showed the smallest annual gain since the department began gathering the data in 1974. If, as many economists assume, official data overstate inflation by around 1 percentage point, deflation has commenced.

A large, unco-ordinated global contraction is under way. We are experiencing only the beginnings.

On the march: economic woes are not confined to Asia AP

Demand is contracting in south-east Asia, and the consequences are rippling outwards. Many Japanese banks are technically insolvent and are no longer making loans to small and medium-sized local companies. Japanese companies that had relied on south-east Asia as a growing market have lost a large portion of their customers. US companies that had expected east Asian growth to continue are frantically revising their plans. For example, nearly one third of the backlog of orders for Boeing aircraft is from Asian airlines.

Demand is also shrinking in much of Latin America. In an effort to maintain investor confidence, Fernando Henrique Cardoso, Brazil's president, last year sharply raised central bank lending rates. The result has been to flatten consumer demand in Latin America's largest market of 160m people.

Brazil's contraction is rippling through much of the rest of Latin America, where economic austerity is also in vogue. Real wages are falling throughout much of the continent and inequality is widening. The maintenance of adequate demand requires a large and growing middle class, which Latin America may be in danger of losing.

Demand is also listless in western Europe. Budget deficits are being slashed in order to qualify for a common currency one year from now. At the same time, European interest rates remain relatively high.

Until recently, a rising share of German exports had gone to developing countries, including Asia. But orders for exports have been tumbling for months. The value of ordered export goods has dropped by more than their volume – further proof of price declines. German unemployment shows no signs of improving.

Lionel Jospin, France's prime minister, has continued to cut his budget even though 3.1m French citizens are without jobs. France's unemployment rate has remained above 12 per cent for more than two and a half years. This is how long unemployment benefits last. Those over the limit began occupying employment offices last month.

The US is doing much of the job of keeping the global economy moving forward. Its economy is supremely healthy. Unemployment is lower than it has been in almost a quarter century. The economy grew by nearly 4 per cent in 1997, largely due to consumer spending and to large outlays by business for new equipment in anticipation of even greater demand. Spending pushed corporate profits to their highest levels in 30 years.

US wages, however, have barely risen. The real median wage is still below its 1989 level. The sluggishness of wages is significant. It means the economy is being propelled largely by household debt. Household debt – including credit cards, personal loans and mortgages – is at record levels. Accordingly, personal bankruptcies have also risen to a record level, as have defaults on credit cards.

We are rapidly reaching the limit. Recent evidence suggests the rate of growth in US household debt is starting to slow, as households cut back their borrowing. As they do so, the most important source of demand in the US will shrink.

Consider the big picture: an east Asia of toppling currencies and bank insolvency; rising unemployment in Latin America's largest economy and falling real wages throughout the region; stagnation and unemployment in Europe; a rapidly approaching limit to the capacity of US consumers to take on more debt. As the global economy slows, social unrest threatens.

This unco-ordinated global contraction could lead to a deflationary cycle. Central bankers, financial ministers and International Monetary Fund officials, acting rationally in their own spheres of responsibility, may be failing to see the larger picture. They should be discussing what steps they could take to have a significant effect in the opposite direction. At the very least, they should draw up contingency plans. A wider view would consider whether it is time for central bankers in advanced economies to loosen the reins on the money supply.

The strict budget requirements for eligibility in Europe's single currency need to be reconsidered in the light of a possible deflationary cycle. Similarly, it may be wise for pending US budget surpluses to be used for tax cuts and additional spending. Japan must embark on a package of measures to stimulate domestic demand. And the IMF, while continuing to make Asian loans conditional on financial restructuring, must balance its demands for sharp cuts in public budgets and higher interest rates against the strong contractionary forces under way.

Policymakers who for years have sought to pre-empt spiralling inflation must now be active in fighting spiralling deflation.

The author is professor of social and economic policy at Brandeis University. He was secretary of labor in the first Clinton administration

Pioneers fated to bite the dust

Robert Denham finds similarities between the rise and fall of Peregrine and Drexel

When people write about the failure of Peregrine Investment Holdings, they tend to describe Peregrine as a peculiarly Asian phenomenon. It was a swashbuckling trading powerhouse that created a market, relying on a tight network of Asian relationships to create a formidable competitive position for itself in the face of larger competitors.

But financial excess and its consequences are quintessentially cross-cultural phenomena, and the story of Peregrine has remarkable similarities to the story of Drexel Burnham Lambert.

Peregrine created a junk bond market in Asia, just as Drexel created the original junk bond market in the US. The accomplishment in each case was of considerable economic importance. In Asia – excluding Japan – most corporations are below investment grade if only because the sovereign ceiling keeps them there. Asian corporations have historically relied on bank financing and short-term capital market financing. To be able to borrow longer term through the capital markets was a significant advance in corporate finance.

To create an Asian junk bond market, Peregrine needed buyers. It found them in Korean and other Asian banks, merchant banks and finance companies that were in financial difficulty, had government protection or quasi-guarantees giving them downside protection, and were desperately seeking yield. These were the natural buyers of risky debt securities because they not only wanted yield, they desperately needed it.

So far, the story is very much like that of Drexel: creating a new market by providing borrowers with terms they never thought they would see, and finding the natural loans (in Drexel's case). But Peregrine faced one complication that Drexel did not. To create an Asian market instead of multiple, fragmented national markets, Peregrine had to use a common currency, the US dollar. This allowed borrowers to borrow at lower rates than the high domestic rates they faced (since exchange risk was being underpriced), and allowed lenders to participate who could not or would not have taken rupiah or baht risk.

Since the borrowers often earned all their revenues in local currency, and were incurring substantial dollar debts, the resulting exchange risks were large. However you swapped them and shifted them, exchange risks remained, and Peregrine was left with a large share of these risks.

Both Peregrine and Drexel learnt that when you create a market – and particularly if you jealously guard that market so as to keep competitors out – you *are* the market. You are the source of liquidity when people want to sell, just as you are when they want to buy. This works fine as long as economic conditions are good and you can find new buyers to replace old ones who get full of what you have to sell. But as soon as conditions start to change, buyers evaporate, the world is full of sellers and you end up owning a lot of paper. With short-term liabilities supporting assets that became illiquid, Peregrine, like Drexel before it, did not have the luxury of getting to work its way out of its problem.

> Peregrine and Drexel learnt that when you create a market – and particularly if you guard it to keep competitors out – you *are* the market

In the wake of the failure of a startlingly successful firm, people are often surprised. How could failure befall a firm that was so successful? The answer is often that demonstrated by Peregrine and Drexel: they failed for the same reason they succeeded. Because both firms took risks no one else would take, there was no broad market to provide liquidity when a few of the risks started to go bad.

Peregrine's innovation of an Asian junk bond market is not likely to disappear. Just as happened eight years ago in the US, competitors will build a sounder and broader market on the foundation laid out by Peregrine. Because the market will be based on buyers who are rationally pricing risks instead of desperately reaching for yield, credit will no longer be a bargain, but it will become available again.

As sovereign ceilings have been lowered, most non-Japanese Asian borrowers are, and for some time will be, below investment grade, and an Asian high yield bond market will be an essential part of restoring growth in Asia. This, of course, is little consolation to Peregrine and its owners, who have once again demonstrated an adage that must be cross-cultural: pioneers are people who get arrows in their backs.

The author is the former chairman and chief executive officer of Salomon Inc and represented the US on the Apec Business Advisory Council, where he co-chaired the Finance and Infrastructure Committee

·LETTERS TO THE EDITOR·

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Please set fax for finest resolution. e-mail: letters.editor@ft.com
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Good practice best answer to food safety

From Mr Colin Allport.

Sir, The manner of the publication of a report from the British Medical Association on the safety of meat raises concern at the scientific objectivity of the leaders of our medical profession ("Brussels may back easing of beef ban", January 13). Modern eating habits and the proliferation of convenience foods have, undoubtedly, increased the risks of microbiological contamination – demanding more rigorous control and greater efforts to educate the public.

However, the truth is that there are age-old dangers in many foodstuffs which can be satisfactorily contained by good culinary practice.

In the case of uncooked meat, it is unrealistic to imply that it can ever be a sterile product, but sensible practical measures of avoiding cross-contamination, together with adequate cooking, will continue to offer reasonable safety.

It is, in any case, probably more important for us to concentrate on the storage and handling of cooked meat products, while the potential of inadequately washed salad vegetables to transmit unwelcome micro-organisms should also not be ignored.

Clearly, much remains to be done to improve public awareness of the importance of good hygiene but the BMA would, surely, be better employed in this dull but worthwhile endeavour than in competing with watchdog organisations for sensational headlines.

Colin Allport,
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UK

Better to hang on to the piggy bank

From Mr Alan J. Cole.

Sir, Lex must have had his tongue firmly in his cheek when suggesting ("Tomkins", January 13) that cash can move easily back and forth between a company and its shareholders and bankers. It can indeed be returned to these financial institutions at little cost to a company in a matter of moments. But try getting it back. This process takes for ever and far too much of the cash sticks to the fingers of financial, and other, advisers along the way.

If Greg Hutchings, executive chairman of Tomkins, really has some good ideas that may require cash in the future, he would be well advised to keep it under lock and key in his corporate piggy bank. If he returns it now to his shareholders – of whom I am a very small one – it will take much management effort and countless fees before he sees it again.

Alan J. Cole,
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78 Charlwood Street,
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Transparency key to investment accord

From Ms Maria Livanos Cattaui and Mr Steven Bate.

Sir, OECD governments are in the final three months of negotiations to establish the first multilateral framework of rules and disciplines to govern cross-border direct investment. This multilateral agreement on investment would be highly welcome to businesses that have to cope with the existing patchwork of hundreds of bilateral treaties and other arrangements and look for greater certainty in deciding where to invest their inventiveness, skills and money.

But there is a catch. As the April deadline for agreement by OECD ministers approaches, the agreement risks being encumbered by excess baggage that would dilute business enthusiasm and discourage non-OECD countries from acceding.

The International Chamber of Commerce, the Business and Industry Advisory Committee to the OECD, and other business groups will argue at a meeting in Paris today that OECD governments should be careful not to discourage developing countries and emerging economies from joining the agreement. This could happen if they imposed binding requirements governing the environment and labour standards that countries cannot realistically meet.

The risk is real. Some proposals imply that even OECD countries' laws do not provide sufficiently high levels of environmental protection and are not effectively enforced. If these are to be believed, how can a developing country that is building an environmental regulatory capacity be expected to commit itself to standards.

This is not to say signatories should be barred from adopting domestic measures they consider necessary to promote national objectives on environmental protection. However, such measures must not discriminate against foreign investors.

There are similar concerns about labour standards. Any governments that attempt to use the agreement as a basis for setting core labour standards would pre-empt discussions in the International Labour Organisation, the appropriate forum. They would introduce uncertainty for investors by raising the spectre of disputes in which signatories could use the new language as an excuse for administrative delays or outright discrimination against foreign investors.

Business wants an agreement that truly builds investor confidence by ensuring greater predictability and transparency.

Maria Livanos Cattaui,
secretary-general,
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7008 Paris
Steven Bate,
executive director,
Business and Industry Advisory Committee to the OECD,
7016 Paris,
France

HK public more aware

From Professor Y.C. Jao.

Sir, Your sensational front page headline "HK bank collapse shakes markets" (January 13) is a good illustration of either *schadenfreude* or just plain ill-will. You implied that Hong Kong's banking system is in serious trouble.

The fact is that the failed Peregrine was not a bank, but only a brokerage firm. Its name cannot be found in the list of "authorised institutions" in the Hong Kong Monetary Authority's three-tier banking structure.

The Hong Kong public knows the difference between a bank and a brokerage firm. When the news of Peregrine's liquidation broke, the public reacted calmly, without any panic. There was no bank run, which would probably have occurred if Peregrine had been a "bank". It was precisely because Peregrine was not a bank that the Hong Kong government decided that there was no systemic risk and refused a bail-out.

At the press conference, Philip Tose, Peregrine's chairman, agreed that, in view of the public's calm reaction, the government's judgment was correct, even though he himself didn't like it.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Thursday January 15 1998

Resolving US phone mess

The deregulation of the US telecommunications market is trapped in a legal mare's nest. The latest tangle – the decision by a Texas judge to strike down key elements of the 1996 Telecommunications Act – is merely another in an apparently never-ending series of judicial setbacks.

One of the most important provisions of the act forbids regional phone monopolies – the so-called Baby Bells – from offering long-distance services until they have opened up their local markets to competition. By ruling that this provision is unconstitutional, the judge has struck at the heart of Congress's intentions. The judgment drastically curtails the authority of the US Federal Communications Commission, which has sought to use this restriction to force the Bells to give rivals fair access to their equipment and networks.

The judgment is legally questionable, resting on the view that the act punishes the Bells without a fair trial. In practice, the act only codified restrictions in the 1982 consent agreement which broke up AT&T and created the Baby Bells in the first place. If it stands, the companies will no longer have any incentive to co-operate with the regulators. The justice department has filed an appeal and the decision is expected – and deserves – to be overturned. However, even if it is defeated, a process which would take months, the lawyers have many more tactics for delay up their sleeves.

As a result of these legal battles, deregulation has not progressed with either the speed or the results that Congress hoped. Two years on, there is little sign of full-blown competition. Long-distance companies such as MCI and AT&T have already lost hundreds of millions of dollars trying to break into local markets. Meanwhile, the FCC has so far turned down every application by the Bells to offer long-distance services on the grounds that they are obstructing new entrants.

Does all this mean that the act needs amendment? Perhaps. But that is impracticable, particularly in an election year. Nonetheless, there are at least three ways in which the mess could be improved. First, regulators have more leverage than their behaviour sometimes suggests. They have the right to set conditions for approval of telecoms mergers, and should use it more aggressively to extract concessions on competition.

Second, state regulators can act creatively to generate new opportunities for competition. In Connecticut, for example, regulators have agreed with the former local monopoly (which is not a Bell) that it will split itself into two arm's-length parts, one much more tightly regulated than the other. The company's stranglehold on customers is being broken by a state-wide ballot in which individual residents will be required to choose whom they want as their local carrier. Similar initiatives are possible elsewhere.

Third, the Bells should think hard about their strategy of legal delay. One way or another, competition is coming to US telephony. In the long run, shareholders may be best served by a strategy that adjusts to that fact, rather than seeks to deny it.

Germ warfare

Yet another crisis between the UN and Iraq. Reactions around the world range from fatigue, through irritation at a supposedly intransigent US attitude, to righteous indignation at the suffering of the Iraqi people.

So it is necessary to remind the world what these crises are about. Last October Richard Butler, the Australian who heads the UN special commission (Unscom) charged with dismantling Iraq's weapons of mass destruction, reported that large quantities of biological and chemical weapons were probably still being concealed. Saddam Hussein responded by declaring the suspect sites "presidential" and so off limits to inspection, and by expelling US members of Unscom. After much diplomatic coming and going he retreated on the second of these issues but not on the first and more crucial one.

Now he is again distracting attention from it by refusing to co-operate with one of the inspection teams which is headed by an American. So far from being intransigent, the Clinton administration persistently downplays the seriousness of the situation, hiding behind the UN Security Council, two of whose members (France and Russia) can be relied on to block any serious moves to compel Iraqi compliance.

But this is not a diplomatic game. It is an effort to enforce the still unfulfilled ceasefire terms of 1991 by depriving an aggressive and unrepentant regime of lethal weapons which it has already used, against both its neighbours and its own people. It is not US national interests that are at stake, but the safety of the whole region, if not the whole world.

Safer food

The policing of food safety in Britain has been contaminated by industrial lobbies and political expediency. The system is complex, secretive and ineffective. To remedy this, the government published its plans yesterday to transfer the function from the Ministry of Agriculture, Fisheries and Food to a new Food Safety Agency. The agency will face a big task in restoring public confidence.

Its best asset will be independence. Although it will report to ministers via the Department of Health, it will publish reports and recommendations, and it will have power to enforce and monitor standards. Its procedures are intended to be open. That must be the key to gaining public respect.

It will also need a strong and articulate chairman. He or she must resist special pleading from the food and agriculture industries – and from politicians.

There is, however, an opposite danger: that the agency might give way too readily to public anxieties. Drawing the line between acceptable and unacceptable risks is notoriously difficult in the public arena, but it needs to be done. The plans, published in a white paper, recognises the danger of over-regulation. It says that decisions must be proportionate to risks and pay due regard to costs and benefits. But it later says that uncertainties in scientific evidence must not be a reason for postponing action.

The agency will find its way through these conflicting pressures only by establishing a reputation for scientific excellence and clarity of judgment.

Such prestige will be particularly needed in matters involving the EU, the World Trade Organisation and other international bodies. The government does not expect that the agency will take the front seat in international negotiations, but its weight as an objective adviser could tip the balance on such issues as mad cow disease (BSE) or genetically modified crops.

The agency's scientific independence should not be diluted by asking it to supply material for propaganda about healthy eating patterns, as some lobbyists have suggested. The white paper proposes a compromise in which the agency will provide objective nutritional advice, while the Department of Health tells people what they should eat.

This is a silly division of labour. The agency will have plenty to do as the guardian of food safety. If nannying about healthy living needs to be done at all, it is best left to the department. It already knows what should be in diets. Or if it does not, there are plenty of people to ask.

The government should also think again about its plan to fund the new agency by imposts on the industry and licence fees. There are two disadvantages: first the agency must be seen to be completely independent of producers and retailers, particularly in view of the dismal history of food safety in the UK. Second, the system might encourage over-regulation, simply to create licence fees to fund the bureaucracy.

If the government needs extra money, it should first find out what it could raise by closing down the remains of MAFF. There would be few mourners.

The comeback kid (again)

Clinton's apparent return to partisan politics aims to ensure his centrist message survives his presidential term, says Gerard Baker

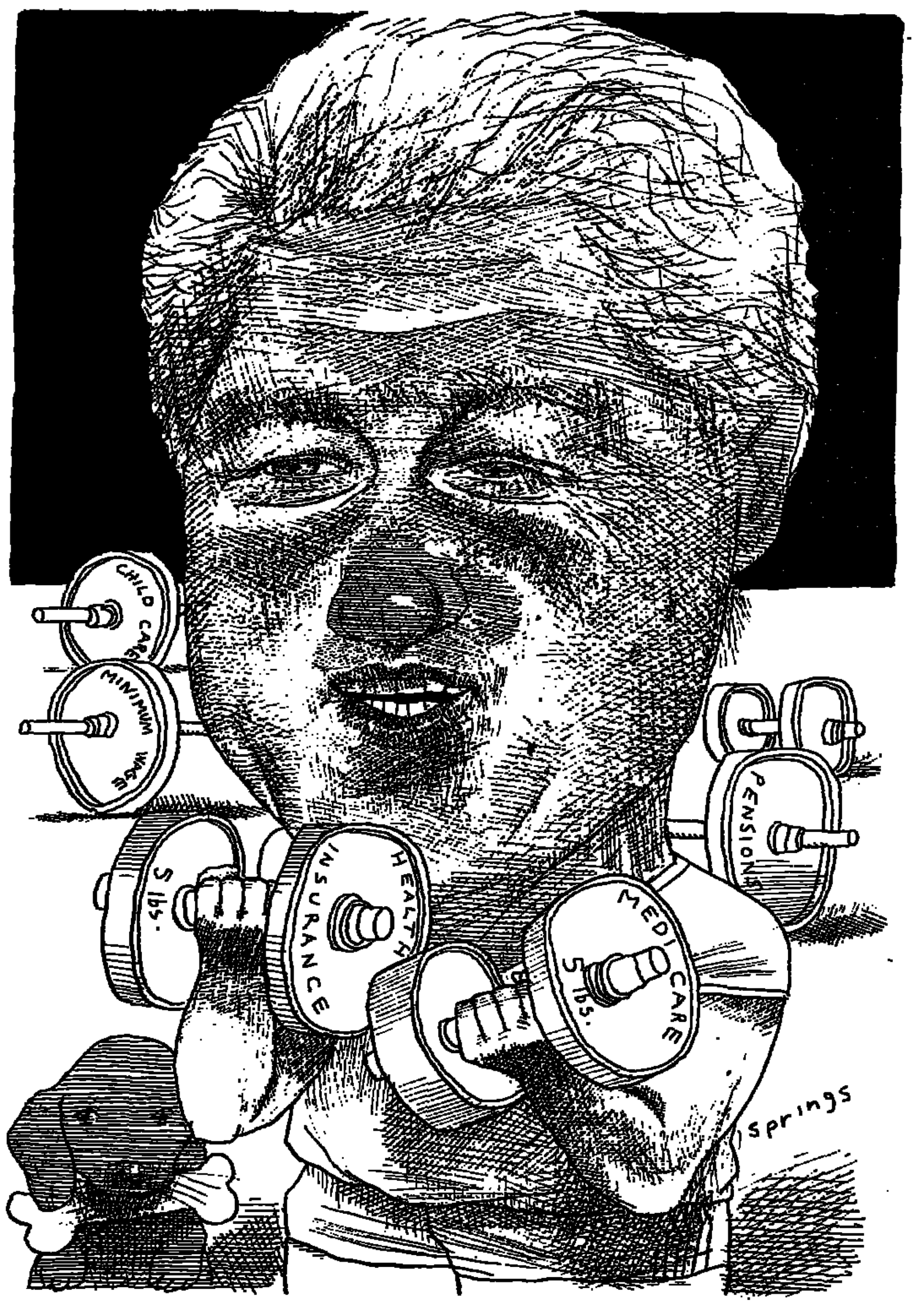
As 1997 closed, US president Bill Clinton seemed to have passed the point that occurs in every second term presidency when the incumbent goes from being a dynamic achiever to a lame duck.

In November, he suffered one of the most serious setbacks of his presidency when he failed to win congressional approval for "fast-track" authority to negotiate trade agreements. It was a symbolic defeat that suggested that the president may have exhausted his supply of political capital in the congress. Shortly afterwards Mr Clinton seemed to many to be slowly lowering the shutters on his presidency.

The agenda for 1998 would probably be dominated by the Republican-controlled congress, officials acknowledged with a shrug. White House advisers reported the chief executive was "mellower", less prone to temper tantrums over minor setbacks. He played more golf. He seemed more detached from the process of politics. He even acquired that ultimate symbol of late-term presidential relaxation: a dog.

In retrospect it looks, at least in part, a crafted illusion. As his adversaries began to write his political obituaries, the president spectacularly smashed through the mirror.

In a breathless flurry of activity in the first two weeks of the year, Mr Clinton and his advisers have marched out a daily succession of policy initiatives on a range of big domestic issues. These have included an expansion of Medicare, the system of public health insurance for the elderly; new tax credits for child care; more money for job training and education initiatives, and the barest outline of plans to ensure the long-term viability of social security, the US public pension scheme. Next week, there may be a proposal for a big increase in the minimum wage.



The burst of energy has taken the Republicans by surprise. They had been looking forward to commandeering national debate this year with their plans for tax cuts. Instead they find themselves on the defensive.

Their instant response was to categorise the initiatives as a return to "big government" by the Democratic party.

"Expanding government is not something the Republicans are going to go for, unlike the president and his party," said Richard Armey, a senior Republican in the House of Representatives.

But the aim of Mr Clinton's January surprise is more subtle than that. It is less a decisive step to the left, more an attempt to defend his New Democrat centrism from being outflanked by the left. Hence it is an attempt to fashion a political strategy that will take him through this year's crucial mid-term congressional elections to the presidential election that will end his term of office in two years.

The intention seems to be to rebuild bridges with an increasingly hostile Democratic party in the country in a way that would bolster support for Mr Clinton's favoured successor in 2000, vice president Al Gore. But it will involve a gentle backing away from the bipartisan politics that have served him, though not his party, so well.

Much of the "New Clinton" is as much about form as about substance. The impression of great reforming energy created by the spate of announcements was clever news management.

"These were all proposals the president was almost certainly going to announce in his State of the Union speech at the end of January," says Steven Hess, a political analyst at the Brookings Institution, the Washington-based think tank. "But instead of herding them all together in one speech, he has let them seep out one by one – a clever piece of control."

Furthermore, for all the noise they have attracted, the proposals are not all that radical. They are all in keeping with the modest, incremental approach to social policy Mr Clinton has followed over the last few years.

The most important departure is the Medicare proposal. The plan is to extend coverage from those currently eligible, the over-65s, to those aged 62-65. The scheme would be self-financing, paid for by individual premiums, not the government. The child care plans are sizeable – \$21.7bn over five years – but they are a long-promised extension of tax breaks. The education and training programmes will cost a negligible sum. Most important, all these measures will be taken against the background of a budget that will be balanced by no later than next year – three years earlier than foreseen as recently as the middle of 1997.

Even an increase in the minimum wage is a clever piece of political opportunism. Mr Clinton's advisers calculate that, as they did last time it was raised two years ago, many Republicans will bury their conservative doubts about what has proved to be a highly popular proposal.

"For all the talk that these initiatives represent a radical break towards much greater social activism, they are in fact perfectly consistent with what the president has proposed throughout his term – modest and cautious government," says one budget policy watcher.

The real political significance of the initiatives is that they will, however, represent a break from the bipartisanship of the last few years in the context of a significantly different set of circumstances in which the policy debate is framed this year.

For the first time in a generation, the US federal budget is expected to be in rough balance in 1998, and may even produce a small surplus. That surplus will grow gradually over the next few years, assuming the economy does not experience a recession.

Conservative Republicans have seized on the prospect of this fiscal nirvana to propose tax cuts. Though they cannot agree on the type or scale of such reductions, they see electoral gain from offering at least something. Mr Clinton's modest proposals for expanding popular government programmes, all within the prudent framework of a balanced budget, may prove an effective counterweight for the Democrats.

The president certainly needs to find something to restore Democratic fortunes. Five years of "Clintonomics" may or may not have been good for America, but they proved disastrous for the Democrats. In 1994 they lost control of the House of Representatives for the first time in 36 years; at state and local level the party is in deep trouble, and last year's campaign finance scandals have left it strapped for cash.

Disillusionment with the president was widespread within the party – and the nadir came with last year's defeat on a proposal to continue giving the president "fast-track" authority to negotiate trade deals (ie, without having Congress go through the deal line by line afterwards). On that vote, Mr Clinton lost the backing of his most consistent supporters, even though fast-track authority is something all presidents have had since the mid 1970s. In the wake of that defeat, the president's advisers decided it was time to mend some fences.

At first sight, Mr Clinton's new-found enthusiasm for old-fashioned Democratic-party politics seems odd. His brand of bipartisanship – rising above the smoke-filled rooms, eschewing big government and special interest-dominated politics – had been rather successful for the past three years. After the republicans took control of Congress in 1994, Mr Clinton sailed to a second presidential election victory as the champion of bipartisan politics. His biggest achievements – welfare reform, balanced budgets, freer trade – have all been won in the teeth of opposition from most Democrats.

What seems to worry Mr Clinton though, is his legacy as a New Democrat. Only Al Gore seems to offer the certainty that the Clinton brand of politics will continue after 2000. Though Mr Gore is still front-runner in the Democratic race for nomination, his reputation has been badly scarred by the campaign finance imbroglio, and by his association with Mr Clinton's bipartisan approach to critical policy issues, especially fast track.

Mr Gore needs to mend his fences quickly if he is not to lose out to his more populist challengers, notably Richard Gephardt, the leader of the Democrats in the House of Representatives.

"Bill Clinton always had the remarkable ability to run against his own party, in spite of his own party," says one Democratic pollster. "Al Gore doesn't have the same personal qualities that would enable him to do that. He needs a solid party base."

For that reason most of all, the congressional session that will begin in the next two weeks will be crucial to the outcome of the struggle in the Democratic party.

Mr Clinton and Mr Gore are treading a difficult path. Republicans are anxious to brand the new approach a return to Big Government – a message they will hammer home hard in the election campaign this autumn. And a number of issues will sorely test the fragile unity of the Democrats. One will emerge right at the start of the new session: Democrats hostile to the International Monetary Fund will attempt to add tough conditions to the administration's request for more IMF funds.

But if they can muffle the cries of opposition within their own party, they will have greatly enhanced the possibility that the politics of New Democrats survive beyond one president.

· OBSERVER ·

Business bounties

■ Ted Turner seems to have tapped an unsuspected vein of benevolence (or is it just predictable old one-upmanship?) in the US entertainment industry. Only weeks after the Mouth from the South announced his gift of \$1bn to United Nations good causes, up pops John Malone, the Rocky Mountain Lion, with \$1.5bn to give away.

The Denver-based boss of Tele-Communications Inc, the biggest US cable TV group, says he didn't know what to do with his stash, and his wife and two children weren't interested in being hyper-rich. The answer: a family foundation to benefit education, which will be endowed with most of his 42m shares in TCI.

Malone and Turner both made their fortunes from cable and both are known for their rumbustious – not to say uncharitable – attitude towards adversaries. Turner, now vice-chairman of Time Warner, is believed to wake up badmouthing Rupert Murdoch, while Malone never passes up a chance to blast federal regulators.

The regulators – waging a long campaign against "excessive" increases in cable subscription rates – now face a dilemma. If they screw down rates as they did earlier this decade, TCI's stock price will drop, and so will the value of Malone's legacy, leaving his old adversaries cast as bad guys for a change.

Busy line

■ As deal follows deal in the frenzied world of telecoms, Wall Street bankers are trying to predict which company will be next to fall, hungry to ensure they land the deal.

Sprint, the US long distance carrier, is apparently under siege from bankers and analysts who've noticed a change in the company's ability to sell out.

At the end of this month, Sprint's foreign shareholders – France Telecom and Deutsche Telekom, each of which has 10 per cent – will surrender their two-year right to veto big acquisitions, disposals and mergers. This means Sprint will be free to enter merger talks without triggering the "disapproval rights" held by the two European companies.

Sprint protests that the change is not significant and insists that "the company is not for sale". But comments at the end of last year by chairman and chief executive William Esrey about the company's true value haven't helped quell speculation. As one investment banker remarked: "Esrey's phones are going to be hot for a while yet."

Miracle cure

■ Malaysia's government has blamed just about everyone except Observer – and itself – for its financial crisis, with US financier George Soros and other assorted foreigners taking plenty of stick. Now deputy prime minister and finance minister Anwar Ibrahim has pointed the finger at the World Bank.

It seems that Washington's top financial brains coined the phrase "East Asian Economic Miracle", which lulled Asians into complacency. Now everyone's saying that Malaysia is in pretty bad shape, so that should have the opposite effect: expect a spectacular recovery.

Generation game

■ Is Andres Soriano III, embattled chairman and chief executive of Philippines food and beverage giant San Miguel, running out of road? The UK- and US-educated scion of one of Manila's smartest families is staring a hostile takeover bid in the face.

The Soriano name has been synonymous with San Miguel for generations, while most other families of Spanish origin have been eclipsed by the rapid rise of the overseas Chinese community. But with the family stake down to 2 per cent, the prospects of a Soriano staying at the helm indefinitely look bleak, and talk of a white knight team of local business leaders riding to the rescue has receded.

It might be too early to count Soriano out, though. Apart from any tricks he might have up his sleeve, the government has a say, and might think that the run-up to a presidential election is not the best time for the country's leading company to end up in foreign hands.

Common talk

■ Britain's European Union presidency has dreamed up a way to breathe life into the tired old slogan of a "people's Europe". Observer hears that foreign minister Robin Cook is drawing up plans to invite "ordinary people" to a weekend "people's summit" on the eve of the EU leaders' jamboree in Cardiff in June.

Brussels wags are placing bets on whether big wheels like Helmut Kohl, Jacques Chirac, and Jacques Santer will roll up to the fringe conferences and seminars – and what happens if the people's summiteers demand a voice at the main event.

In any case, whoever heard of real people going to a summit?

The Financial Times

100 years ago

Insolence And Contempt
Letter to the Editor: "When you say that 'Complaints to officials of the National Telephone Company are useless,' you strike a sympathetic chord, for my experience – and it is, as the manager of a large West End club, a pretty constant one – bears out your words exactly. As the following instance will show, complaints are received with insolence and treated with contempt. I had occasion to complain of the bad service in the early part of this month, and thought I would write direct to the general manager of the Company with regard to the bad service generally, and also to the annoyance it caused to members of the Club. In reply, I received a letter from that gentleman – not, as a mere businessman might suppose, containing suggestions to remedy the state of affairs, but informing me that I might be able to offer an opinion on club management, but that he begged to doubt that I was a reliable informant on telephone systems. If the head officials of the National Telephone Company are so high and mighty that they can afford to snub their subscribers, then the subscribers ought to combine and do as I have done – refuse to pay subscriptions in advance."

FINANCIAL TIMES
Thursday January 15 1998

Capital Perspectives
International Bond Conference
Lisbon
15th & 16th January, 1998
NOMURA

Camdessus makes confidence the priority

Indonesia set to sign new IMF agreement

By Peter Montagnon and Sander Thoenes

Indonesia will today sign a new agreement with the International Monetary Fund committing it to speed up economic restructuring in the hope of restoring calm to its troubled financial markets.

"The immediate priority is to arrest and turn around the tremendous loss of confidence, and stabilise the market through monetary discipline and a dramatic acceleration of long overdue structural reforms," said Michel Camdessus, IMF managing director.

Mr Camdessus was scheduled to meet President Suharto this morning to set the final seal on the package, which is likely to include revisions to last week's controversial budget as well as an undertaking by Indonesia to maintain high interest rates that would underpin the rupiah in exchange markets.

But the package will not include any radical fresh approaches to Indonesia's problems, such as an introduction of the exchange rate peg suggested by some private sector economists.

The IMF is also likely to leave the problem of Indonesia's $80bn private sector foreign debt to be dealt with on a case-by-case basis by individual companies and lenders, diplomats and bankers said.

President Suharto is expected to announce immediate measures to underline his determination to stick with the new programme.

Tunky Ariwibowo, trade and industry minister, said these would include cuts in import tariffs and trade barriers to help boost exports.

There have also been hints of a cut in fuel subsidies, although this might be deferred until after the presidential election in March and may exclude paraffin, used for heating and lighting by the poor.

The IMF conceded earlier in the week that its original target for a 1 per cent budget surplus in the financial year beginning on April 1 was too harsh for Indonesia's depressed economy. Now concessions on the budget are likely to be offset by a tougher stance on structural reform.

Mr Suharto announced delays or cancellations to 15 expensive infrastructure projects over last weekend, but bankers believe more painful measures may be needed to convince the markets of Indonesia's sincerity. In particular, an announcement that a controversial plan to launch a national car by a company owned by one of the president's sons is to be shelved would indicate an end to the crony capitalism which has so weakened the economy.

Other likely aspects of the programme include accelerated efforts to reform the banking system, and the promise of new legislation on bankruptcy. Diplomats said last night that President Suharto has quietly hired a team of international lawyers to develop new regulations in this hitherto taboo area.

World stocks, Page 34

Millennium bomb 'could put brake on takeovers'

By William Lewis in New York

Leading Wall Street merger and acquisition specialists are warning that the threat posed by the millennium computer bomb could cause a slowdown in takeover activity in a range of industries by the end of this year.

In interviews with the Financial Times, Wall Street merger and acquisition lawyers also said that the problems posed by the computer bomb are likely to speed up takeover activity through to the third quarter of this year.

However, after that it could act as a sharp brake on the M&A boom.

Rodgin Cohen, partner at Sullivan & Cromwell, said: "The impact of the year 2000 on acquisitions in banking and other computer dependent industries is going to be extremely significant. I would call it the single most important external factor in the next 24 months. It should be more of an accelerant through into the third quarter of this year and a decelerant thereafter."

Earlier this week the Securities and Exchange Commission urged companies to inform investors about their plans for converting their computers to handle the switch to the year 2000.

Corporations are facing potentially huge problems because many computers were designed to recognise only year dates beginning with 19.

In many cases they still need to spend large sums to ensure they are able to handle the change to 20.

M&A experts say companies in banking, insurance, broking and telecoms are weighing up merging with companies that have already made progress in solving the problem rather than making the necessary investment.

However, they predict that by the fourth quarter of this year potential suitors will be unwilling to take over companies that have failed to prepare for 2000 by investing in adequate computer systems.

Mr Cohen said: "It will encourage people who have not yet put the changes in place to sell out.

"But once we have started getting near to the end of this year and 1999 it will start to discourage people from buying. They may be concerned that they are going to have to do the whole thing."

Any slowdown in M&A activity would be highly significant for Wall Street.

The 10,700 takeover deals completed in the US last year – representing a combined value of $919bn – yielded substantial fees for M&A bankers and lawyers.

Other experts warn that companies failing to resolve their computer problems could suffer poor share price performance as they will be termed "unavailable for takeover" by investors and competitors.

Brent Spar faces 'Norwegian solution'

Continued from Page 1

Anglo-Norwegian engineering group, said it still hoped one of its two disposal options to scrap the Brent Spar in Norway would be chosen. Other options under consideration include proposals by Amec, the UK construction and civil engineering group, to use segments of the platform to reinforce the Norfolk coastline on England's east coast.

Shell Expro would not comment in detail, although a senior official involved with Brent Spar said: "One of the problems at the outset was that we weren't allowed to do the work in Norway. The change in sentiment has been significant."

Once the UK government has approved the disposal, the dismantling could take up to six months.

Iraqis suspected of weapons testing on prisoners

By Laura Silber in New York

The United Nations team whose arms inspections have been blocked by Baghdad was investigating suspicions that Iraq had tested chemical and biological weapons on prisoners, Richard Butler, the chief UN weapons inspector, said yesterday.

"We went to a prison outside Baghdad on Monday ... we wanted to see if there were documentary records of possible biological testing on human beings. The team did not find such records, as they seem to have been vacated or taken ... away," he said.

Iraq for the second day blocked the team led by the American Scott Ritter, whom it claimed was a spy.

Mr Butler, an Australian, plans to leave for Baghdad this weekend in an effort to defuse the biggest showdown with Iraq since November. Iraq provoked last year's standoff when it expelled US members of the UN teams, complaining of US domination of the disarmament mission.

Nizar Hamdoon, Iraq's ambassador to the UN, dismissed the weapons-testing charges in a letter to the French Council president. "It is the US and British authorities that are giving currency to false allegations ... with a view to misleading the Security Council and world public opinion," he said.

He said Mr Ritter had visited several "sensitive" sites, including the notorious Abu Ghraib prison, because the American inspector believed that in mid-1995 "a number of prisoners had been sent from this site ... and from there to a secret location where tests of chemical and biological agents had been performed on them".

Iraq continues to claim that it had no illegal chemical or biological weapons. The Security Council last night said it "deplores" Iraq's failure to provide UN inspectors with "full, unconditional and immediate access to all sites".

Bill Richardson, US ambassador to the UN, said his optimism for an Iraqi climbdown was waning. "We want to resolve this situation diplomatically but we will not hesitate to use military action," he said. This echoes comments on Tuesday by the White House spokesman Mike McCurry that the US was prepared to act alone if necessary.

While the council issued a unanimous statement denouncing Iraqi obstruction as "unacceptable" and a "clear violation" of UN resolutions, the US and Britain are the only permanent members taking a tough line against Iraq.

Editorial Comment, Page 13

THE LEX COLUMN

Cold comfort

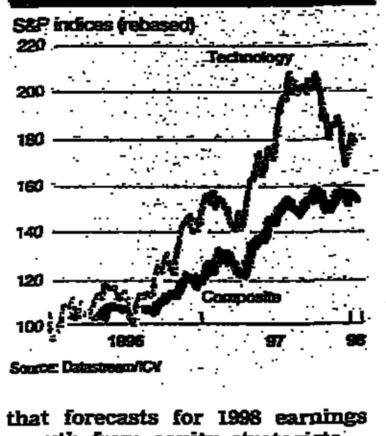
Asian flu has hit US technology shares hard. But while software group Oracle has caught pneumonia, Intel, one of the industry's bellwethers, seems to have escaped with a sniffle. That should provide some relief for the sector, which has underperformed the US market by 11 per cent since October, with many individual stocks doing much worse.

Further Far Eastern shocks are possible as high-tech companies report fourth-quarter results. But in Intel's case at least, the slowdown in Asia was more than offset by unexpectedly strong demand in Europe – the source of the semiconductor maker's profit warning last May – as personal computer sales rebounded. Industry growth should continue this year, helped by strong demand at both ends of the market: for expensive servers and cheap, sub-$1,000 computers, which now account for a third of US unit sales. Analysts expect a 15 per cent increase in PC volumes and a 3-4 per cent decline in average selling prices, adding up to 12 per cent revenue growth – about the same as in 1997.

That bodes well for the big PC manufacturers like Dell, Compaq and Gateway, still largely focused on Europe and the US. All three derive less than a tenth of their revenue from Asia. But their attempts to reduce inventories, both in-house and at distributors, will squeeze suppliers. While Intel and Microsoft look immune, given their dominant market shares, the same cannot be said of smaller component companies or software houses.

FTSE Eurotop 300 index: 992.5 (+6.1)

US tech stocks



Source: Datastream/ICV

UK earnings

News that increases in annual earnings picked up towards the end of last year adds to pressures on corporate profitability. With unemployment still falling and evidence of skills shortages, annual pay growth could be heading for 5 per cent-plus. Meanwhile companies' ability to pass such increases on to the customer looks limited. On the UK high street, consumers have held back to take advantage of January discounts. And the high pound has invited price competition for UK-based companies, a trend intensified by plummeting Asian currencies. Such competition, coupled with slower growth in the UK economy this year, already suggested that analysts would be downgrading profit forecasts. A sign of this is that forecasts for 1998 earnings growth from equity strategists – factoring in the duller macro economic picture – are around 7-8 per cent. This compares with bottom-up forecasts from analysts of about 10 per cent.

While upward pressure on wages is a threat to profitability, its importance should not be exaggerated – especially where the reasons are bonuses and overtime payments, which will drop along with profits and orders. The rises so far are in any case not out of line with inflation plus the growth in gross domestic product. In terms of extra costs, the latest 4¾ per cent pay-rise figure is only 1½ points higher than the late 1995 level. The pound's appreciation of over a third against the D-Mark over the same period puts this in perspective.

San Miguel

The Philippine government's apparent willingness to sell a large minority stake in San Miguel, possibly to a Hong-Kong based predator, First Pacific, is revealing. After all, the food and brewing group is the country's largest private employer and accounts for some 4 per cent of gross national product. And with First Pacific – currently planning to sell some $2bn of assets to bolster its finances – ultimately controlled by an Indonesian conglomerate close to President Suharto, such a move could be risky politics in an election year.

But the rewards could be high. Settling a long-standing wrangle with political power broker and former San Miguel chairman, Eduardo Cojuangco, over the government's legal title to shares sequestered from him over a decade ago could gain the government a political ally. And with San Miguel capitalised at around $2bn, selling the stake should boost government coffers.

Bid speculation has helped the shares recover from the effects of a falling peso and deteriorating export markets. But even after yesterday's 23 per cent rise, they remain over 50 per cent down on the year. In this context, ending the long-running legal battle between the government and Mr Cojuangco should at last free the company to make rights issues to fund growth outside its increasingly competitive domestic market. And with 11 government appointees on the 15-strong board, upper management could benefit from new blood.

Rio Tinto

Rio Tinto has long been a victim of the UK's advance corporation tax system. But with ACT set to go in April 1999, the constraint on distributing cash has been removed. And given that the share price has fallen 30 per cent over the last three months, a 10 per cent share buyback looks timely. Financially the company has ample capacity: a 10 per cent buyback, costing around £1bn ($1.63bn), would lift net debt to around £3.4bn at the end of 1998. This would be about 40 per cent of its market capitalisation – comfortable even for a company with volatile operating earnings.

The £1bn could, of course, be spent on acquisitions. But given Rio's superior quality assets, and current prices, a buy-back makes better sense. And sweetened by the buy-back, shareholders should be happy to stump up if a tasty acquisition comes Rio's way. Short term, this move should underpin the share price. More important, though, is the copper price, down 40 per cent over the past eight months and a key variable for Rio.

The fallout from Asia will determine whether it falls further. It is easy to be pessimistic – Japan and Korea are huge metals consumers. But highly competitive exports may yet keep large manufacturers running close to capacity. If so, most of the bad news may already be in the price. There could, of course, still be further downward lurches; but for investors with an appetite for risk now looks a good time to buy.

Additional Lex comment on Dixons, Page 20

FT WEATHER GUIDE

Europe today

Denmark and southern parts of Norway and Sweden will have rain. More northern parts will have snow showers, with more persistent snow in the far north. Finland will have sleet and snow.

The Low Countries, Germany, Austria, Switzerland and France will be cloudy with rain at times, some heavy and persistent.

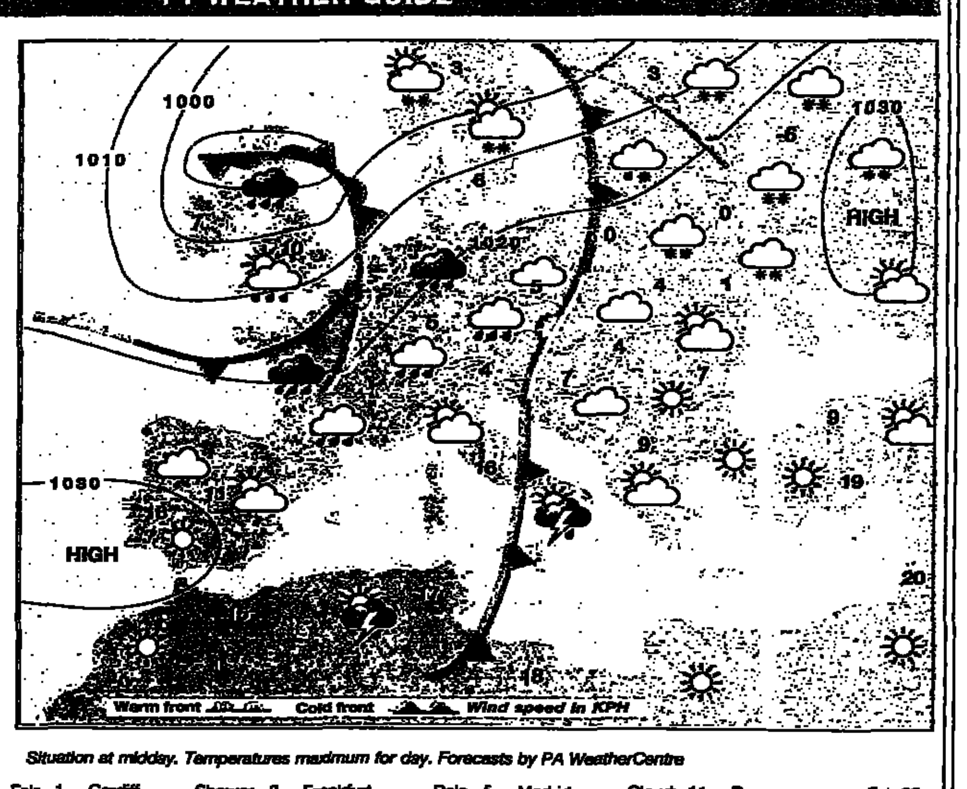
The central Mediterranean will be cloudy with showers, but it will be mostly sunny to the east and west of the rain.

The Balkans will be mostly dry. There will be snow in northern parts of eastern Europe, but it will be dry farther south.

Five-day forecast

It will remain very changeable in northern Europe as deepening Atlantic lows continue to move quickly west.

Eastern Europe will have further snow at times, and most parts of the Mediterranean will turn showery for a time in the next five days.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Fair 1	Cardiff	Shower 8	Frankfurt	Rain 5	Madrid	Cloudy 11	Rangoon	Fair 32
		Belfast	Shower 7	Casablanca	Sun 18	Geneva	Shower 5	Majorca	Fair 16	Reykjavik	Snow 1
Abu Dhabi	Fair 21	Belgrade	Fair 8	Chicago	Fair -2	Gibraltar	Sun 17	Malta	Shower 18	Rio	Thunder 31
Accra	Sun 32	Berlin	Fair 6	Cologne	Shower 7	Glasgow	Shower 8	Manchester	Shower 8	Rome	Shower 16
Algiers	Fair 15	Bermuda	Shower 22	Dakar	Sun 30	Hamburg	Shower 8	Manila	Fair 30	S. Frsco	Shower 13
Amsterdam	Rain 10	Bogota	Fair 20	Dallas	Sun 13	Helsinki	Rain 3	Melbourne	Fair 27	Seoul	Shower 4
Athens	Fair 17	Bombay	Sun 33	Delhi	Fair 21	Hong Kong	Fair 16	Mexico City	Fair 22	Singapore	Thunder 31
Atlanta	Rain 9	Brussels	Rain 8	Dubai	Sun 21	Honolulu	Fair 28	Miami	Fair 27	Stockholm	Drzzl 6
B. Aires	Fair 27	Budapest	Rain 4	Dublin	Shower 7	Istanbul	Fair 13	Milan	Cloudy 9	Strasbourg	Shower 7
B.ham	Shower 8	C.hagen	Rain 6	Dubrovnik	Rain 15	Jakarta	Thunder 32	Montreal	Cloudy -8	Sydney	Thunder 27
Bangkok	Fair 34	Cairo	Fair 21	Edinburgh	Rain 7	Jersey	Rain 12	Moscow	Snow -6	Tangier	Fair 16
Barcelona	Fair 14	Caracas	Fair 30	Faro	Fair 17	Johannesburg	Fair 24	Munich	Shower 6	Tel Aviv	Fair 20
						Karachi	Sun 27	Nairobi	Thunder 25	Tokyo	Rain 11
						Kuwait	Sun 15	Naples	Cloudy 16	Toronto	Cloudy -2
						L. Angeles	Cloudy 18	Nassau	Fair 28	Vancouver	Rain 7
						Las Palmas	Sun 23	New York	Snow 2	Venice	Rain 11
						Lima	Cloudy 30	Nice	Fair 14	Vienna	Cloudy 3
						Lisbon	Fair 16	Nicosia	Sun 19	Warsaw	Rain 4
						London	Fair 10	Oslo	Shower 3	Washington	sleet 3
						Lux.bourg	Rain 5	Paris	Rain 9	Wellington	Sun 21
						Lyon	Cloudy 9	Perth	Fair 28	Winnipeg	Snow -9
						Madeira	Cloudy 18	Prague	Cloudy 3	Zurich	Fair 5

FINANCIAL TIMES
COMPANIES & MARKETS
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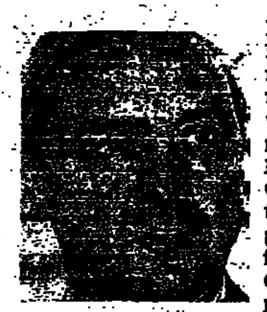
INSIDE

Big Six merger ruling expected



Karel Van Miert, the European Union's commissioner for competition (left), will next week decide whether merger applications by Price Waterhouse and Coopers & Lybrand, two of the Big Six global accountancy firms, can move to the Commission's second phase of inquiry. In the US, the Department of Justice had been expected to indicate it would not block the merger but there are rumblings on Capitol Hill. Page 18

Asia puts pulp recovery on hold
Analysts say the Asia crisis has delayed the paper industry's recovery. International Paper of the US has been hit by weaker Asian demand and Södra, Europe's leading producer of market pulp, expects global demand to fall by between 5 per cent and 7.5 per cent this year. Page 24

Venezuelan equities face uncertainty
The fallout from the second wave of the Asian crisis has exposed cracks in Venezuela's economic foundations – oil price dependency, currency overvaluation and electoral uncertainty – shaking investor confidence. Page 34

Kick-start for paperless trade in India
Measures to kick-start trading in paperless shares take effect in India today, amid fears they will cause a short-term liquidity crunch in the market. The rules prohibit institutional investors from selling paper shares in eight of India's most widely traded securities. Page 19

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 24

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Adidas	246.1	+	10.1	Accor	1110	+	21
Karstadt	588	+	8.5	BIC	425.1	+	11.1
Mannesmann	966	+	19	Bouygues	739	+	29
SAP AG	546	+	17	Essilor Int	1854	+	56
VEW	590	+	15	Sagem	2958	+	131
Falls				**Falls**			
MAN	483.5	−	21.5	Cred Lyon	242.1	−	11.4
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Kent Electron	22¼	+	1⅞	Kurita Water	1530	+	160
Meadowbrook	27¼	+	2⅜	Maruichi Stl	1670	+	160
Tredegar Inds	63⅞	+	4¼	Tokyo Electrn	4380	+	350
Falls				**Falls**			
Dekalb Gnetcs	25⅜	−	6¾	Maeyro Denkon	797	−	88
Jno H Harland	18¾	−	1¾	Mamic Lambda	1520	−	150
Unit Auto	15⅜	−	4⅛	Okuma Corp	393	−	30
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Easdaq Strat	329	+	50	Beijing Ent	12.45	+	1.5
Cadbury Sch	685	+	32½	Citic Pacific	23.8	+	1.9
Druid Grp	749	+	39	Dao Heng Bk	14.3	+	1.3
Falls				Hutch Whamp	42.4	+	3.4
Boots	816	−	31	Miramar Htl	9.7	+	1.8
Dixons	524	−	58	Vtech Hldgs	19.55	+	1.2
Utd Carriers	49	−	22	**BANGKOK (Baht)**			
TORONTO (C$)				**Rises**			
Rises				Precious Ship	27.0	+	6.0
Dundee Bncp A	27.0	+	2.5	Siam City	67.0	+	12.5
Samax Gold	4.55	+	0.75	TCJ Motor	78.0	+	15.0
Vitran A	8.25	+	3.5	**Falls**			
Falls				AJ Plast	5.4	−	2.2
Alta Genetics	4.0	−	0.5	Preecha Grp	8.6	−	3.65
Farallon Recs	3.0	−	0.45	Thaikon Ent	9.1	−	3.9
Poetra Fibr	8.0	−	0.75				

New York and Toronto prices at 12.30pm.

Hoechst subsidiary to shed staff

Shares fall as pharmaceuticals operation announces plan to trim 5% from its costs

By Daniel Green in London

Hoechst Marion Roussel, the pharmaceuticals operation of German chemicals company Hoechst, is to cut almost 5 per cent from its costs – worth DM460m ($252m) in 1999 – to improve profitability.

Job cuts are likely at all of the company's three main centres in Germany, France and the US.

Only the German unit has put a figure on job losses: 600 out of a 6,700 workforce. This will save DM95m a year.

In the US, the development and regulatory office at Bridgewater, New Jersey, is likely to escape lightly, with most cuts falling on the other main centre at Kansas City.

Hoechst shares fell DM0.59 to DM 64.86. The plan is to increase the profit margin – net profit as a percentage of sales – from 15 per cent to 20 per cent by the end of 1999. This is still a modest figure in comparison with other top pharmaceuticals companies.

HMR is the world's fourth largest pharmaceuticals company by sales behind Switzerland's Novartis, Glaxo Wellcome of the UK and Merck of the US.

HMR is to become the main business of Hoechst, which has said it would withdraw from chemicals to concentrate on pharmaceuticals and agrochemicals.

But HMR is one of the slowest-growing of the top 20 pharmaceuticals companies, and management is still wrestling with the problems of merging the company's three components, which began in 1995.

Hoechst bought US company Marion Merrell Dow in 1995 and bought out the minority of French subsidiary Roussel Uclaf it did not own the following year.

At that time Hoechst said it planned to cut the workforce by 8,000 from 42,500. The company said yesterday its current workforce was 40,500, with 6,700 in Germany, 7,700 in France and 6,000 in the US.

Hoechst's research and development work is likely to bear some of the cuts, even though senior executives have conceded that one of the company's weaknesses is a shortage of new products in development.

HMR feels it has room for cuts in R&D because it spends about 17 per cent of sales on R&D compared with an industry average of about 15 per cent.

R&D employs 4,650 people: 1,600 in Frankfurt, more than 1,000 in Romanville near Paris, 600 in Kansas City and 500 in Bridgewater.

Hoechst had promised a review of R&D spending after its nine-month results in November which showed a 49 per cent drop in pre-tax profits to DM2.9bn.

Frank Douglas, head of drug innovation and approval (formerly called research and development), said the "targeted realignment" of the division was also intended to cut the time taken for a drug to reach the market.

Other cuts will be in "sales, general and administration", a catch-all term used in the pharmaceuticals industry for most of the non-R&D parts of the business.

Cuts in Germany and France will be preceded by meetings with local works councils.

Buy-back plan adds 8% to Rio Tinto

By Kenneth Gooding, Mining Correspondent

Shares in Anglo-Australian group Rio Tinto, the world's biggest mining company, rose yesterday after it said it would seek shareholder approval to buy back up to 10 per cent of its equity.

Its shares were nearly 8 per cent ahead on the Australian stock exchange at the close, up A$1.35 at A$18.30.

In London the price jumped by more than 6 per cent in early trading but settled back to close 15½p, or 2.2 per cent, up at 713p. Rio is a dual listed company trading as Rio Tinto plc in the UK and Rio Tinto Ltd in Australia.

It said buy-backs would be at about present price levels and mainly through on-market purchases. Analysts estimated that 10 per cent would cost about US$1.5bn.

The company said this was well within its debt capacity, given its modest gearing – 27 per cent in its June results – and would have no adverse impact on operations or investment plans. Rio's capital expenditure was nearly US$1bn in June. Rio said each 1 per cent bought back would add 1.5 per cent to its gearing.

Bob Wilson, Rio's chairman, said: "We wish to ensure that the group has the maximum flexibility to manage its capital structure in order to reduce its cost of capital and enhance shareholder value.

"We consider that buying back shares, particularly in current market conditions, should achieve earnings per share improvement for the shareholders of both companies and enhance the underlying value of those shares which remain outstanding."

The proposal had been influenced by the recent announcement of the abolition next year of advance corporation tax in the UK and previous changes to Australian law facilitating share buy-backs.

Rio will ask for shareholders' approval at meetings in February. It said buy-backs in London might be limited until after ACT was abolished in April 1999.

David Ireland at ABN Amro Hoare Govett, said that buy-backs in London would almost certainly be limited to "a small, single figure percentage".

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Philippine group bid looming

By Justin Marozzi in Manila and John Ridding in Hong Kong

A takeover bid for San Miguel, the Philippines' flagship company, moved closer yesterday as the government approved the sale of its 48 per cent stake.

President Fidel Ramos announced possible negotiations.

Yesterday San Miguel B shares, which are open to foreigners, rose by 23 per cent to close at 46 pesos following reports that First Pacific, the Hong Kong-based conglomerate, had raised its stake from 2 per cent to 6.4 per cent.

First Pacific dismissed the report, but analysts believe it is the strongest takeover contender.

Over the weekend, First Pacific disclosed it had bought 2 per cent of the company last year and had talked to with allies about buying a "significant strategic stake".

The takeover of San Miguel depends on the resolution of a decade-long dispute over the ownership of the government's stake. The shares were sequestered in 1986 by the Aquino government which alleged they had been fraudulently acquired by Eduardo Cojuangco, a former associate of the late President Ferdinand Marcos, under the Marcos regime.

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Reebok stars lose their shine

Sportswear maker leaves field clear for arch-rival Nike with move to cut sports sponsorship

By Victoria Griffith in Boston

Reebok, the US sportswear maker, has retreated in the battle with Nike, its arch-rival, for supremacy in sports sponsorship.

Paul Fireman, chief executive, said Reebok would back away from costly athletic endorsements to concentrate on developing high-performance sports shoes. Reebok spent $400m on sponsorships and other marketing last year, compared with Nike's $1bn. While Reebok has some impressive sports heroes on its roster of endorsements, they have been overshadowed by Nike stars such as golfer Tiger Woods and basketball player Michael Jordan.

"We don't want to compete head-on with Nike any more. They'll do their thing and we'll do ours," said Mr Fireman. "Getting stars to endorse products has been a priority for the past three years, and it hasn't given us much of a pay-back."

It may take some time for Reebok to reduce the number of athletes it pays for endorsements since most contracts are for a three-year period.

Mr Fireman said Reebok planned to offer customised shoes in 1999. Specially designed computer equipment would be used to analyse the foot's pressure points and tailor footwear to the requirements of individual customers.

The company will concentrate on older consumers, which it deems less susceptible to fashion and star endorsements, and will back away from the highly profitable market for basketball and cross-training shoes to focus on its traditional strengths in running and walking.

Reebok has been under pressure to devise a new strategy following the announcement last month that its sales for 1997 would be weaker than expected.

At the time, Mr Fireman blamed overall weakness in the industry. Certainly the sector has become highly competitive, as highlighted by the Chapter 11 bankruptcy filing by LA Gear on Tuesday.

Mr Fireman wants to rewrite the rules of the industry to give more power to the manufacturer and less to sports stars and retailers. Reebok's shift in focus is surprising since many analysts had blamed the group's failure to dominate the sponsorships arena for its loss of market share to Nike.

The rivalry between Reebok and Nike is legendary. After rising out of nowhere to take the lead position in the lucrative sports shoe business in the 1980s, Reebok began to shed market share rapidly in the 1990s.

Today, Nike has 32 per cent of the world market, compared with Reebok's 15 per cent. The high-profile battle created a great deal of bad blood between Phil Knight, Nike's dynamic chief executive, and Mr Fireman, who started Reebok back in the 1980s. Mr Fireman said the group's new strategy would probably not result in higher profits for a few years. "We're the tortoise, not the hare," he said.

Moses Kiptanui of Kenya: sponsored by Reebok Picture: Allsport

Schroders to shed 200 jobs in shake-up of Asia unit

By Jane Martinson and Clay Harris in London

Schroders, the investment banking and fund management group, is to announce restructuring of its securities operation in Asia today, in a move which will lead to 200 job losses.

A lacklustre year capped by three months of market turmoil has prompted the UK's largest independent investment bank to scale back its equity activities in the area.

The recent crisis caused last week's collapse of Peregrine, the Hong Kong-based investment bank, while others active in Asia, including ING Barings, are understood to be reviewing costs.

Those close to Schroders said last night that its losses in the region were "not material in a group context".

Schroders is also to announce a reorganisation of the group board, with a number of senior management changes. A source close to the company described it as an "internal reshuffle" not directly related to the Asian crisis.

The retrenchment chiefly affects the group's nine regional offices and excludes Japan, to which it remains totally committed.

Asia-Pacific contributed £140m ($228.2m) to group operating income of £958m in 1996. However, the securities and capital markets division in the region was described as subdued in reports following the group's interim results in September.

Market turmoil has prompted several banks to reassess their involvement in the area. However, any changes being considered by ING Barings, the Dutch-owned bank, are expected to be described as housekeeping rather than restructuring.

Credit Lyonnais Securities Asia has cut base salaries by 1 per cent for a third of its staff, up to 20 per cent for the nine managing partners.

Jardine Fleming, a joint venture by Jardine Matheson and Robert Fleming, has cut only five of its 3,500 jobs.

Earlier this week, Barclays was able to sell parts of its BZW corporate advisory and equities business in Asia to Credit Suisse First Boston, but up to 500 jobs are still at risk from the unsold rump – on top of the 100 lost when BZW's Japanese equities business was closed last year.

National Westminster Bank has closed offices in Bangkok, Kuala Lumpur, Manila and Singapore, cutting 40 jobs.

Fated to bite the dust, Page 12

Mitsubishi makes US cuts

By Michiyo Nakamoto in Tokyo

Mitsubishi Electric, one of Japan's leading semiconductor makers, is severely cutting chip manufacturing in the US by halting production at its North Carolina plant.

The company said it would discontinue production of 4-megabit "D-Ram" dynamic random access memory chips at its US facility. The move, believed to be the first closure of a Japanese semiconductor plant overseas, will result in the loss of 200 out of 560 jobs. Its shares fell 5 per cent yesterday to Y288 on the Tokyo Stock Exchange.

Mitsubishi will continue to assemble more advanced 16 and 64-megabit D-Rams in North Carolina but the decision indicates a withdrawal from US manufacturing, analysts said. Assembly is a low value-added operation.

The company also said it was closing a television manufacturing plant in the US, which would result in the loss of 330 jobs and mark its withdrawal from overseas production of analogue sets.

The move highlights the difficulties faced by Japanese electronics manufacturers in their global strategy, particularly in the semiconductor industry, where weak memory prices and high capital investment costs are taking their toll.

The decision also represents a growing divergence between stronger, well-funded Japanese semiconductor companies, which are expanding their global operations, and weaker companies, often suffering losses, which are likely to be driven to curb overseas expansion and raise cost efficiencies.

Against that background, Takashi Kitaoka, the company president, admitted yesterday that group net losses for the year to March were likely to be greater than the Y10bn ($76.3m) forecast at the interim stage.

Belgacom in FFr2.3bn 'friendly' bid

By Alan Cane in London

Belgacom, the Belgian national telecommunications operator once notorious for insularity, inefficiency and poor service, has launched a FFr2.3bn ($377m) "friendly" bid for Cipe, Europe's largest security monitoring company, based in France.

The Belgian group is aiming for 51 per cent ownership of Cipe. The French company's founders and Banque Paribas, both in favour of the acquisition, account for some 26 per cent of the stock. A further 20 per cent is held in the UK, chiefly by Mercury Asset Management.

Belgacom and Cipe's top executives are touring institutional investors to win them over to the deal.

Cipe shareholders have the choice of FFr200 a share in cash now or an option giving them the right to sell at FFr240 in two years' time. Belgacom hopes to close the offer on February 6.

The group's move reflects how Europe's state-controlled telecoms operators are discovering unexpected entrepreneurial instincts as they marshal their resources to counter intensifying competition following market liberalisation.

It is looking to diversify into activities which go beyond basic telephony services – where price competition is expected to be fierce – but which exploit telecoms infrastructure. It moved into security monitoring last year by buying a controlling interest in a privately held security firm Securis, now renamed Belgacom Alert Service.

The Cipe acquisition would give it a pan-European position in a market worth FFr33bn in France, Belgium and the UK together, and which is growing by more than 25 per cent annually. Cipe is a specialist in audio and video monitoring for business customers, sending sounds and pictures from customer premises over telephone lines to monitoring posts. Last year it made profits of FFr57m on turnover of FFr1.07bn.

While security monitoring has natural affiliations with telecoms, it is no coincidence that Ameritech, the US regional operator which holds shares in Belgacom, has a thriving security business in the US.

For Belgacom, the deal offers the opportunity to participate in a high value-added business with Cipe's expertise and to generate a greater volume of traffic over its network.

Cipe should benefit from an acceleration of its development in Europe coupled with access to the financial and systems capabilities of a larger group.

William Mosseray, general manager of Belgacom's special businesses group, said Cipe's present management would remain in place.

BMG signs up ex-Sony man in European rejig

By Alice Rawsthorn

BMG Entertainment, one of the world's largest record companies, is restructuring its European interests and has recruited Richard Griffiths, a former executive of Sony Music.

The changes at BMG, part of Bertelsmann, the German media group, involve merging the three existing European operations into two companies. BMG's best-selling acts include Puff Daddy, Toni Braxton, Eros Ramazzotti and Natalie Imbruglia.

One of the new divisions will cover the UK and central Europe, including France and Italy. Mr Griffiths, who was president of the Epic Records label before leaving Sony Music last September, is appointed president of this division.

John Preston, chairman of the old UK and Ireland division, is leaving BMG. A close friend of Tony Blair, UK prime minister, Mr Preston is understood to be taking on a number of consultancies and non-executive directorships.

The second new division will include eastern Europe and German-speaking countries. Its president will be Thomas Stein, who has run BMG Music in Germany, Austria and Switzerland since 1991.

Rudi Gassner, president of BMG Entertainment International, said the restructuring reflected the need for the group to adopt "a more coherent approach" to its European interests.

As record and video retailers expand across Europe, they increasingly want to deal with BMG in more than one country, according to Mr Gassner. "Rather than talking to three different people, they need to deal with one," he said.

Similarly, BMG often orchestrates artists' marketing and promotional campaigns across several European countries. Mr Gassner said the new structure was intended to simplify this.

Mr Gassner expects the heads of the new European divisions would review the artists on BMG's roster, but he does not envisage significant cuts in personnel.

PolyGram, a rival music group, has reduced its European staff over the past year, and EMI, another competitor, is starting to do so.

Mr Gassner hopes that the restructured European operations will produce more best-sellers. BMG has become increasingly reliant on music originating from its US record labels and vintage Elvis Presley recordings.

Ready to start the flotation ball rolling: Olympique Marseille goalkeeper Andreas Kopke

French club 'would float'

By David Owen in Paris

Olympique Marseille, the leading French soccer club controlled by Robert Louis-Dreyfus, chairman of Adidas, the German sportswear group, would seek a stock market flotation within three years of a change in French law permitting sports clubs to become public limited companies.

Mr Louis-Dreyfus made the disclosure this week in an interview in Paris. He suggested the three-year period might be necessary to allow time for television rights to be renegotiated.

The Socialist-led French government is considering reforms, expected to be presented later this year, that may enable some French sports clubs to become ordinary public limited companies and to start paying dividends to attract private capital. Clubs, traditionally run as non-profit-making companies with participation from local communities, complain that the present structures leave them unable to compete financially with counterparts in Italy, England and Spain.

A recent poll indicated, however, that French public opinion is against stock market listings for leading soccer clubs. Some other leading French football figures also have reservations about the possible consequences.

Olympique Marseille is majority-owned by the fancifully named Société Eric Soccer, which is in turn controlled by Mr Louis-Dreyfus and friends. The Adidas chairman said he would never buy another French soccer club, but that it might make sense to acquire "what I would call a junior soccer club" in a country such as Belgium to enable more players to gain experience.

He said Adidas itself would never buy a football club because "if you are the owner of a club, the other clubs will say they won't be treated the same way". He also indicated that he would like, in time, to develop other sports such as rugby. He offered Toulon - which is only a short distance from Marseille - as an example of the sort of club he might take over.

He said Adidas, which is acquiring Salomon, the French ski and golf equipment company, to become the world's second biggest sports goods manufacturer after Nike of the US, would be interested in sponsoring a European superleague for top soccer teams.

Estonian banks announce merger

By Matej Vipotnik in Tallinn

Estonia's two biggest banks yesterday announced they would merge through a share swap to create the largest financial services group in the Baltics, with assets of more than EKr20bn ($1.4bn).

Shareholders of Hansapank would take up 63 per cent of the merged group, with the rest going to Hoiupank investors. The new institution will retain the Hansapank name.

Hansapank, Estonia's largest, is strong in the corporate sector. Hoiupank is Estonia's biggest retail bank, with the country's largest branch network. The new entity will have more than 45 per cent of the Estonian banking market.

At the end of last year, Hansapank held less than 2 per cent of Hoiupank, after selling a 12.5 per cent stake to Swedbank of Sweden at the end of 1996.

The new entity dwarfs the next biggest bank, Uhispank, with assets of $1.3bn. However, Margus Schults, vice-president of Uhispank, welcomed the merger. "The consolidation is a positive event because there are too many banks in Estonia. The sooner the consolidation continues, the stronger Estonian banking will become in the region," he said.

Banco Popular advances 8% to Pta65.9bn

By David White in Madrid

Banco Popular, the smallest of Spain's top five banking groups, saw attributable net profit rise 8 per cent to Pta65.9bn ($427.9m) last year in spite of shrinking interest rate margins.

The provisional result, which compared with Pta61.0bn in 1996, was slightly higher than analysts' forecasts.

A fall of 5.7 per cent in net interest revenues to Pta167.8bn was offset by an increase of more than 23 per cent in fees and commissions and a similar jump in financial asset trading income.

Executives said they expected the trend in net interest revenues to flatten out this year, with increased volume tending to compensate for further declines in interest rate margins.

The bank announced a full-year divided of Pta295 a share, a 12.2 per cent rise. The payout for the previous year was recalculated to take account of reduction in share capital in the spring and a four-for-one stock split in the autumn, reducing the nominal value from Pta500 to Pta125.

The capital reduction – the bank repurchased just over 4 per cent of its shares – boosted consolidated per-share earnings 11.2 per cent to Pta587, compared with an adjusted Pta528.

Pre-tax earnings were 9.6 per cent up at Pta106.5bn, after flat operating profits of Pta119.4bn. Non-performing loans were cut by 8.6 per cent to Pta42.9bn, or 1.5 per cent of total risks, compared with 2.1 per cent. Coverage of non-performing loans by provisions was strengthened from 90.5 to 114.5 per cent.

Average total assets, meanwhile, rose 2.9 per cent to Pta3,520.8bn.

Popular, whose lending is heavily concentrated among domestic small businesses, launched a programme in the autumn to bolster its market share, including 150 new branches, expanding its network to more than 2,000 by the end of this year.

The bank is frequently mentioned as a potential target in a further concentration of the Spanish bank sector. Recent rumours have focused on the possibility of Banco Bilbao Vizcaya taking a holding in Popular.

Emilio Ybarra, BBV chairman, said at the weekend he considered Popular a "very good bank" but added that for a deal to take place "they would have to be interested, too".

EUROPEAN NEWS DIGEST

Cap Gemini posts rise in net income

Cap Gemini, the French-based computer consultancy group, yesterday reported a sharp jump in net income to FFr760m ($124.6m), in one of the first sets of 1997 corporate results to be made public. Revenues rose 36 per cent to FFr20.2bn, and net income surged from FFr282m to FFr760m. "We've been following a strategy of organic growth," said Geoff Unwin, deputy head of the board.

"The problem is the shortage of skilled people, which is likely to get worse," he said. "Demand is strong in all markets. The big issue is whether we can attract and retain enough staff." Margins were 8.1 per cent, and Mr Unwin said the group was on track to improve these by a further percentage point this year. He said more than 90 per cent of revenues came from professional fees, with just a fraction representing hardware costs. The results include the full consolidation into the accounts for the first time of Bossard, the French consultancy group acquired by Cap Gemini. Significant new contracts included a FFr4bn deal signed with British Steel last November.

The figures come after the group resolved outstanding questions over its ownership last year, when Debis, the finance arm of Daimler-Benz of Germany, decided to sell its 24 per cent stake. CGIP, the French holding company, increased its holding to nearly 30 per cent as a result of the disposal. A further 53 per cent is publicly quoted. Mr Unwin said there were no plans for this proportion to change or for another strategic investor.

Andrew Jack, Paris

■ SWEDEN

Banks approve market merger

The main obstacle to a proposed merger between the Stockholm stock exchange and OM Gruppen, the quoted Swedish derivatives exchange operator, was lifted yesterday when three leading banks confirmed plans to raise their stakes in the new group.

Svenska Handelsbanken, MeritaNordbanken and Swedbank had objected to the merger plan, fearing the new group would be dominated by Investor, the main investment vehicle of Sweden's Wallenberg industrial empire. Their objections were shelved after the trio received guarantees that they could raise their stake in the merged group from the 4.3 per cent originally envisaged. Under a plan confirmed yesterday, their combined stake in the new bourse will rise to 10.2 per cent through the purchase of a 4.1 per cent stake in the Stockholm stock exchange and by exercising share options.

Investor, meanwhile, has agreed to reduce its initial stake in the merged group from 14.6 per cent to 10.6 per cent.

Greg McIvor, Stockholm

■ BANKING

Deutsche Bank reorganisation

Deutsche Bank expects to decide within a few weeks how to bring together its investment and corporate banking activities, Rolf Breuer, chairman, said yesterday. He said the new structure was "in no way connected to a link-up with any other company in investment banking".

Mr Breuer confirmed Deutsche was considering dropping the Morgan Grenfell name from its Deutsche Morgan Grenfell investment banking arm, but no changes were planned in the parent bank's executive board. He said Deutsche had no interest in taking over Commerzbank, soon to be Germany's fourth largest bank, but that it was interested in additional purchases in France.

Agencies, Frankfurt

■ CAR INDUSTRY

Skoda in product-led revival

Skoda Auto, the Czech carmaker controlled by Germany's Volkswagen group, has affirmed its product-led revival with a 36 per cent rise in output to more than 357,000 vehicles last year. The company expects production to climb by between 20 per cent and 30 per cent this year in its longer-term goal to raise output to about 500,000 units a year by early next century.

Production of the Octavia, a saloon based on the mechanics of VW's fourth-generation Golf, rose to almost 61,000 units last year. That was slower than expected as the company has sought to ensure quality levels at the new assembly hall at Skoda's Mlada Boleslav plant and master the highly modular construction system on which the vehicle is based. Output of the smaller Felicia model rose by more than 13 per cent to nearly 297,000 units.

Skoda expects this year's planned rise in output to stem from a doubling of production of the popular Octavia saloon, which will be boosted by a station wagon version. Longer-term plans include adding a third model to Skoda's two current ranges. Analysts say the company is looking at either a small car below the Felicia or a larger vehicle to slot in above the Octavia. Some reports suggest the company may even be considering a rugged sports utility vehicle.

Haig Simonian, Motor Industry Correspondent

■ BIOTECHNOLOGY

Ares-Serono sales fall 8%

Ares-Serono, the Swiss biotechnology company whose shares have doubled over the past year on the back of investor excitement about its growth prospects, reported an 8 per cent fall in sales, to $222.6m, in the final quarter of 1997. Full-year sales rose by 7.3 per cent to $864m, which compares with growth of 18 per cent in 1996. Sales, which are reported in US dollars, have been hurt by the strong dollar. Nevertheless, the 13 per cent growth in sales in local currencies in 1997 was slower than the 18.7 per cent growth in 1996.

In the final quarter of 1997 sales in local currencies fell by 1.8 per cent, which the company blames on the exceptionally high sales in the last quarter of 1996 which were mainly due to the US launch of Serostim, an AIDS wasting drug, and Fertinex, a fertility drug.

William Hall, Zurich

Investment in Asia high at start of crisis

By John Authers in New York

US investors invested a net $1.6bn in Singapore equities and $1.5bn in Korean equities during the third quarter of last year as the Asian financial crisis was beginning to unfold, according to figures published yesterday by the New York-based Securities Industry Association.

The figures also revealed that investment in the US by European investors set a record during the third quarter, even though most US equity indices hit new highs halfway through the quarter and then subsided.

The figures suggest Asia's difficulties took US investors by surprise. However, there is also evidence that the flow of money into emerging markets dipped sharply in September, when the scale of the problems for economies in the region was beginning to become apparent.

Emerging markets accounted for more than 25 per cent of international equity purchases by US investors during the first three quarters. Brazil was the most popular emerging economy, with net investment of $2.6bn.

US investors acquired overseas equities worth a total of $15.4bn in the third quarter, the highest quarterly level of foreign investment since the $17.4bn recorded in the second quarter of 1996.

The association said the data to determine the impact of Asia's market turbulence on the US desire for foreign equities in general were still not available. However, total US acquisition of foreign equities dropped to $147m in September, the lowest monthly total since September 1994. This follows figures showing net outflows from mutual funds investing in the region during September and October.

US investors hold a total of $1,200bn in foreign equities, following a net investment of $333bn during the 1990s so far. Since the beginning of the decade, US investors have expanded their overseas equity holdings 4.4 times, according to the association. The average for G-7 nations was 2.9 times.

Meanwhile, the figures show that interest in US securities from overseas increased to record levels, despite the high levels of the stock market at the time. The Dow Jones Industrial Average reached a peak in early August and has been trading at a lower level for the past five months.

European investors acquired a net $41.4bn of American securities, led by $16.2bn from the UK, $6.9bn from Germany, and $4.5bn from Switzerland. There were net purchases of $3.3bn by Japanese investors.

Treasury bonds, which are believed to have benefited from a "flight to quality" in the wake of Asian developments, were popular with investors from outside the US, attracting net purchases of $43.3bn during the quarter. Acquisitions from Europeans were heavy at $50.9bn, while Asians sold a net $3bn in treasury bonds, the first time they had been net sellers since the first quarter of 1994.

AMERICAS NEWS DIGEST

Georgia Pacific to cut 1,500 jobs

Georgia Pacific, the Atlanta-based paper and building products group, is cutting 1,500 jobs from the 5,100 workforce of its building products distribution division, as part of an aggressive campaign to return to profitability. The move involves selling most of its millwork fabrication plants, which assemble products such as doors and windows, as well as 13 warehouses in the western US. It will close any facilities it is unable to sell.

Pete Corell, chief executive, said a charge would be taken against fourth-quarter earnings, which would be announced by the end of this month. There would be further cost-cutting actions for the division this year.

The move, which comes as many paper companies are looking for cost savings in the wake of the sharp reduction in demand from Asia, was well received by the market. By midday, its share price was up $¼ at $55⅝.

John Authers, New York

■ INDUSTRIAL GROUPS

AMP goes online

AMP, the world's biggest maker of connectors for the electronics and capital goods industries, has become the latest US industrial group to announce plans to sell its products on the internet. The company is joining aircraft manufacturer Boeing and industrial group General Electric in allowing customers to inspect an electronic catalogue of parts and place orders using the world wide web.

AMP's internet service is to start this month. Ultimately, the company believes it could be used for sales running to hundreds of millions of dollars a year. The Pennsylvania-based company has annual sales of nearly $6bn. It claims a 17 per cent share of the world market for connectors.

The company believes its huge range – which runs to about 300,000 products – and its 200,000 customers in 140 countries make use of the internet especially applicable.

Peter Marsh

■ ARGENTINA

Exxel to buy music store chain

Exxel Group, the Argentine private equity firm, signed a preliminary accord to buy out Musimundo, a local music store chain, for an estimated $200m. Exxel, with total annual revenues of $2.6bn, will undertake a due diligence over the next 75 days of Argentina's most popular music store before sealing the deal. "The company was aware that its future lies in expanding regionally and to take on the challenge it needs an injection of new blood," said Gustavo de Trapaga, general manager of Musimundo, which registered sales of $315m in 1997.

The move is part of a wave of often controversial acquisitions by Exxel in recent weeks. It surprised Argentina's business and political communities alike in December by buying out airport duty-free and cargo concessions and private mail companies attributed to Alfredo Yabran, a controversial businessman. The $605m deal provides it with a valuable bargaining chip in its bid to win a 30-year concession to run 33 of Argentina's 59 airports.

Andrea Campbell, Buenos Aires

BCE to take C$2.9bn charge

By Scott Morrison in Toronto

BCE is to write off C$2.9bn (US$2bn) in the fourth quarter just ended as part of its preparation for increasing competition.

The Canadian telecommunications group said the charge, believed to be the largest in Canadian corporate history, would result in a substantial loss in the quarter.

The move stems from a change in accounting practices and BCE said it would not affect cash flow nor its ability to pay dividends.

BCE's Bell Canada, the country's largest telephone company, will absorb a C$2bn charge to write down equipment, plants and other physical assets at a quicker pace to reflect rapid market and technological changes.

The unit will also take a C$700m charge for employee severance costs. The remaining C$200m charges come from BCE's shares in other utilities.

The effect of the charge will not be known until BCE's annual results are released this month. Analysts had expected 1997 earnings of about C$1.2bn.

The accounting changes are similar to those adopted by some former US monopolies which have also been forced to adjust to a competitive market. A number of Canada's other former telephone monopolies could follow BCE's lead.

New local telephony price regulations introduced this year no longer guarantee the recovery of costs. This gave Bell Canada little choice but to adopt generally accepted accounting practices in order to create an even playing field.

Lynton Wilson, BCE chief executive, said the changes would increase 1998 profits by C$127m to C$175m.

TV stations rechannel the violence

Quirky: Seinfeld, one of NBC's successful comedies, is coming to an end AP

Television violence is down – and up – according to figures released this week. Data from the University of California, Los Angeles, shows the volume of murderous activity shown on US screens fell last year for the third season in succession.

But to judge by numbers published by the National Football League, efforts by television companies to beat one another to a pulp have escalated almost beyond calculation.

This week's auction of the rights to show NFL games will generate almost $18bn in revenues for the league over the next eight years: a sum within an ace of the $19bn Walt Disney paid two years ago to buy Capital Cities/ABC.

The final tally was reached after Disney bid more than $9bn on Tuesday for all cable rights and to keep the Monday Night Football slot, which is rated as one of the industry's most effective attention-getters. It is typically used to promote the week's coming programmes to huge audiences.

The winners will not emerge until the new football and television seasons start next autumn, but the balance of advantage among the four leading broadcasters has clearly shifted.

General Electric's NBC, the most popular network, is left without any football to show. The looming end of *Seinfeld*, the quirky comedy which has established Thursday night as NBC's private fiefdom, is another substantial loss, compounded yesterday by word that *Jenny*, an apparently sure-bet situation comedy starring ex-Playmate Jenny McCarthy, is being pulled after only 10 weeks.

Yet NBC is not entirely bereft, especially as it appeared yesterday to have rebuffed a threat by ABC to outbid for *ER*, the hospital drama. It also still has *Frasier* and *Friends*, not to mention long-term rights to the Olympics, major league baseball and basketball to keep the men and boys happy.

The network with most to gain is third-ranked CBS, which fell from top place in 1993 immediately after Fox, the upstart News Corp broadcaster, bought the football package it had shown since 1970.

Its deal to pay $500m a year over eight years for NFL broadcast rights should help restore its popularity among heavy-spending young males, according to Mel Karmazin, the aggressive chief executive who joined the company last year when it bought his Infinity radio group. He alone among the networks' top executives was brave enough to claim that he could turn a profit on his $4bn NFL investment.

Fox, which Wall Street suggests has lost $100m a year on its first foray into football, will have to work harder to amortise its $500m annual bill, but otherwise, its strategy and position – fourth in the rankings – are likely to remain unchanged.

ABC, which has been a consistent third-place disappointment for Disney, also paid dearly to keep its slice of the pie. In the process it ran Time Warner's TNT cable channel out of the game by buying all cable rights for its ESPN network to keep News Corp's fast-rising Fox Sports challenger at bay.

Christopher Parkes

Allianz buys stake in LifeUSA

By John Authers

Allianz, the German insurer, is taking a 35 per cent stake in LifeUSA, a US life insurer which specialises in offering insurance against the costs of long-term care for the elderly, in an unusually structured deal which will require it to pay about $150m over the next five years.

Allianz already had a marketing agreement with LifeUSA, which is based in Minnesota, and will now nominate two directors to the US group's board.

Allianz will increase its participation in LifeUSA's business as an underwriter or reinsurer from 25 per cent to 37.5 per cent.

Payment will be made in three forms. Over the next five years, Allianz Life of North America will buy $100m of newly issued LifeUSA stock in five $20m instalments.

The price it pays will be equivalent to 2.5 times LifeUSA's book value a share when the stock is issued.

LifeUSA said it was an "innovative" agreement which allowed it to treat the investment as a "line of equity", so that it could draw down capital over time.

Allianz Life will also convert a $30m debenture which it purchased from LifeUSA in 1995.

It will purchase 2.5m shares, equivalent to a 10 per cent stake. This involves buying 925,000 shares from LifeUSA directors at a fixed price of $16.44 a share.

LifeUSA is a relatively new marketing organisation, which sells through 130 separate agencies. Its sales growth is much faster than for the life industry generally, with total premiums increasing from $145.8m in 1992 to $316.9m in 1996. It specialises almost exclusively in insurance against the costs of long-term care.

LifeUSA's business plan is to capitalise on current demographic trends as the postwar "baby boom" generation approaches retirement. In another three decades, some projections suggest that Americans over the age of 85 will out-number those under the age of 5.

Accountants hope Six into Four just might go

US, European regulators to rule on mergers

Joel Klein and Karel Van Miert have a common problem. The US assistant attorney general and the European Union's commissioner for competition must decide whether to allow mergers which would transform the Big Six global accountancy firms into a Big Four.

Senior executives at Price Waterhouse and Coopers & Lybrand will get the first reliable signal next week when Mr Van Miert announces whether the two firms' merger application will be allowed to move to the European Commission's second, lengthy phase of inquiry.

All the indications suggest that it will. The merger plans of KPMG and Ernst & Young may follow suit.

In the US, the picture at first seemed clearer. Mr Klein's antitrust department – part of the Department of Justice – was expected to indicate quickly that it would not block the mergers. Competition issues seemed less acute than in Europe and the presence of the powerful Securities and Exchange Commission looked to guarantee strict policing.

"It was always assumed that US approval was a slam dunk deal," said one Washington-based Big Six executive.

However, the antitrust department has circulated questionnaires to the Big Six which one executive said focused attention on specific concentrations of market share in specialised areas, such as the audit of financial services companies and particularly the banks.

"We expect an indication from the DoJ within three weeks, unless something gets in the way," said one executive at one of the firms seeking a merger.

What could get in the way? For a start there are rumblings on Capitol Hill. The antitrust sub-committee of the Senate judiciary committee is considering whether to hold hearings on the mergers as part of a general investigation of the globalisation of financial services. But the accountancy firms believe such hearings, which could hold up a regulatory decision, are less likely now than 10 days ago.

There are also signs the SEC is preparing the ground for tougher regulation in the expectation of merger clearance from Mr Klein. The SEC is due to endorse a self-regulatory audit body, the Independence Standards Board. Endorsement has been delayed and there is every chance that tougher regulations could be imposed if the accountancy mergers go through.

Second, the Public Oversight Board, an independent watchdog, has delayed publication of its annual report on the accountancy firms to add its own rider on the mergers. It, too, may call for new safeguards in the post-merger world.

There are rumblings on Capitol Hill. The antitrust sub-committee of the Senate judiciary committee is considering whether to hold hearings as part of a general investigation of the globalisation of financial services. But accountancy firms believe such hearings are less likely

If Mr Klein's department allows the mergers in the anticipated time frame of three weeks, the firms will have the dubious advantage of arriving in Brussels with a US deal behind them. It may be better for them if Mr Klein delays a decision in order not to second guess Brussels.

But there is little chance that Washington and Brussels will be at odds over the issues – even if they come to different conclusions. Having learnt from mistakes, both have appeared keen to co-operate and swap ideas from the start.

In Brussels it is still early days for the merger proposals.

The presumption when the deals were announced was that Brussels would come up with a "yes-but" decision on both – indicating exactly what the firms would have to do to appease concerns about auditor independence and lack of competition.

Reservations were expected to include regulated audit market share, separation of audit and consultancy provision, and restrictions on supplying non-audit services to audit clients. It was also suggested the European Commission might take over regulation of the profession – or ask national governments to take it over – in return for allowing the mergers.

There is some anxiety among the firms that such reservations would be impractical and the competition authorities will limit themselves to a straight "yes" or "no".

The mergers are beginning to attract more interest in Europe – far more than in the US, and influential bodies such as the UK's Financial Services Authority have voiced concerns. Brussels is also realising that the influence of the big firms has been underestimated, particularly their involvement in providing services through associated law firms. Meanwhile, the mergers have caused competition worries in certain specific markets, especially the UK's top company audits.

There is a chance that the two applications will be treated differently. Coopers and PW plan an integrated global merger based on shared economic interest between partners. KPMG and Ernst & Young appear to be planning to merge international umbrella organisations and merge firms within each national area. They still have to secure partner backing for the idea outside the US.

It may be that Brussels will judge the second plan does not need its approval, and pass the decision back to national regulators. But both merger camps still expect a full second phase inquiry and are confident they can argue their case.

Jim Kelly

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 15.01.98: Pool purchase price £/MWh	Final Prices for Trading on 19.12.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	27.25	29.58	29.21	0.95
0100	32.22	29.65	29.27	0.95
0130	98.68	29.65	29.27	0.95
0200	98.68	29.65	29.27	0.95
0230	32.22	33.99	33.61	0.95
0300	32.22	56.78	56.40	0.95
0330	32.22	56.78	56.40	0.95
0400	32.22	33.90	33.53	0.95
0430	24.97	33.90	33.53	0.95
0500	15.00	33.90	33.53	0.95
0530	15.00	29.95	29.57	0.95
0600	15.00	29.95	29.57	0.95
0630	27.64	29.95	29.57	0.95
0700	30.56	38.48	38.14	0.95
0730	35.48	39.00	38.63	0.95
0800	30.57	46.46	46.51	0.95
0830	38.53	47.01	47.19	0.95
0900	38.54	47.48	47.79	0.95
0930	40.59	47.48	47.77	0.95
1000	49.44	47.63	47.96	0.95
1030	49.43	48.27	48.57	0.95
1100	40.59	48.39	48.73	0.95
1130	38.54	47.28	47.83	0.95
1200	38.54	53.09	53.81	0.95
1230	38.54	52.76	53.37	0.95
1300	38.53	51.89	52.08	0.95
1330	35.53	45.31	46.38	0.95
1400	38.53	44.21	44.19	0.95
1430	38.53	43.85	43.73	0.95
1500	38.53	43.79	43.80	0.95
1530	38.55	43.49	43.52	0.95
1600	42.87	54.04	57.18	0.95
1630	51.77	110.39	126.03	0.95
1700	94.40	152.48	173.84	0.95
1730	114.84	178.57	200.92	0.95
1800	108.66	131.97	147.25	0.95
1830	67.85	80.77	87.62	0.95
1900	51.63	56.32	57.94	0.95
1930	52.14	41.94	42.68	0.95
2000	40.17	39.16	39.12	0.95
2030	42.35	37.00	36.70	0.95
2100	40.03	36.55	36.20	0.95
2130	35.48	36.51	36.14	0.95
2200	35.48	32.87	32.50	0.95
2230	30.56	32.87	32.50	0.95
2300	27.45	29.19	28.81	0.95
2330	27.84	25.99	25.61	0.95
2400	15.00	25.99	25.61	0.95

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £14.88/MWh becomes 1.488p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.

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Sino Land rejects talk of debt crisis

By John Ridding in Hong Kong

Sino Land, the Hong Kong property developer, yesterday moved to quash speculation that it faced financial difficulty after its shares plunged in trading in the territory and in London.

The company strongly rejected rumours that it had missed a payment on a debt obligation. "The directors wish to state categorically that there is absolutely no grounds to such rumours," the company said last night. It added that a statement would be issued to the stock exchange today.

Investor anxiety was reflected in the company's shares, which fell almost 3.4 per cent in Hong Kong and then dived more than 20 per cent in London after the territory's stock market closed. The fall in shares in the company, a large developer and a member of the benchmark Hang Seng index, dragged down the broader market in Hong Kong shares. Yields on the company's benchmark convertible bonds due in 2002 soared to 40 per cent as investors sold their holdings. The yield was under 20 per cent a week ago.

"Sino Land is seen as one of the more vulnerable developers to the downturn in the property sector and the sharp rise in interest rates," said a property analyst at a European investment bank in Hong Kong.

The sharp fall in the company's shares underlined the fragile state of confidence in Hong Kong's financial markets following the collapse of Peregrine Investment Holdings, the territory's largest investment bank. Property and finance are the main pillars of the Hong Kong economy, which has been increasingly hit by the regional economic crisis.

Sino Land said total debt-to-equity ratio was about 26 per cent at the end of December, cash flow was positive and short-term loans were not great. "This week we will be receiving more than HK$2bn (US$258m) in proceeds from the sale of our projects," the company said. "Our working capital needs are not really too big. HK$200m to HK$300m," a spokesman told news agencies.

Property analysts said cash flow at the group hinged on the balance of payments for the Group's Grand Dynasty project at Taipo, in the New Territories.

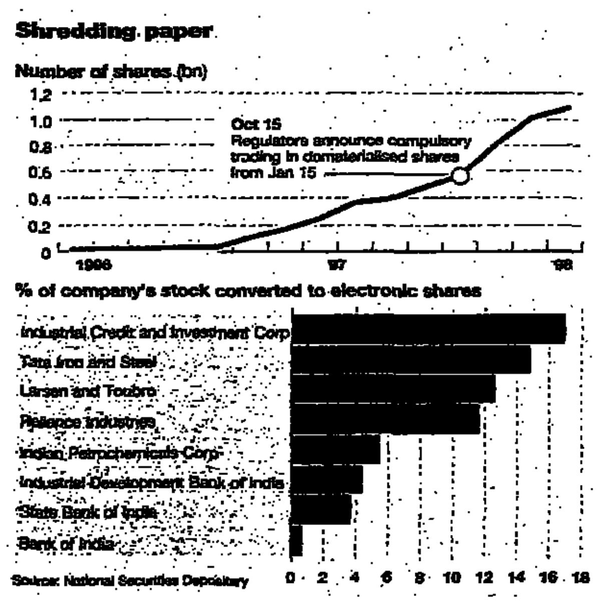
● Great Eagle Holdings, the Hong Kong property developer, yesterday posted a 13 per cent rise in net profits for the year to September 30 1997, writes Louise Lucas in Hong Kong. However, while profits rose to HK$1.19bn from HK$1.05bn, the group is cutting the dividend from 60.5 cents to 43 cents.

Mr K. S. Lo, deputy chairman and managing director, said the engine for growth was a strong contribution from the group's overseas hotels.

Weaker performances came from Hong Kong hotels, hit by the downturn in tourism since July.

Earnings per share for the year increased 12.6 per cent, from HK$2.30 in the previous financial year to HK$2.59 last year.

Kick-start for paperless trade in India



New measures to kick-start trading in paperless shares take effect in India today, amid fears they will cause a short-term liquidity crunch in the market.

The new rules prohibit institutional investors from selling paper shares in eight of India's most widely traded securities – including State Bank of India, Reliance Industries and Tata Iron and Steel. Institutions will only be able to sell these shares in electronic form, although they will be able to buy them in either the paper or the paperless market.

All trades in paperless shares will also in future be settled on a rolling basis five days after the trade is executed, rather than at the end of the weekly trading cycle.

Most investors say the advent of paperless shares is positive. "When Egypt set up a depositary, money flowed in from investors who would not otherwise have taken the trouble to invest," said Fergus Fleming, a managing director at HSBC.

But there are fears that not enough shares have yet been converted to paperless shares to provide a liquid market. This could make it difficult for institutions to sell their shares, in turn making them less active buyers in the paper market.

"It is going to be a mess," said one chief investment officer based in Bombay. "They have compartmentalised the market into two separate markets." He said the result would be a big increase in volatility and could result in two prices for a single stock, in paper and paperless form.

More than 1bn shares have already been converted from paper to electronic record, but this is still a fraction of India's shares in issue. Less than 1 per cent of shares in Bank of India have have been converted; even this stock is included among the shares which institutions must sell in paperless form.

Chandrashekar Bhave, managing director of the National Securities Depositary, said institutions had been slow to move to paperless shares although they had been given three months warning of today's deadline. "They wanted to wait to the last minute," he said.

Most were reluctant to convert their shares while trading on the paperless market remained negligible. Others did not want to tie up their shares in a 15-day conversion process while markets were volatile.

Mr Bhave said that as a result "the market will suffer [a lack of liquidity] for 10 or 15 days while it comes to terms with the new paradigm." But he said institutions will start converting shares they can no longer sell in paper form with earnest from today. "We will see movement after two or three weeks," he said.

The depositary has scheduled a review for February and it hopes paperless trading will dominate "within a year or a year-and-a-half".

Sebi, India's financial regulator, will also study progress carefully. It plans to expand the list of shares which institutions will be forced to sell in the paperless market to 100 by the end of 1998. Liquidity could remain a problem if local speculators and private investors – who account for 70 per cent of turnover on India's stock markets – do not move to paperless shares en masse.

India's stock market authorities are prepared to tough it out in the meanwhile. "If it means a few days or even weeks of disruption it is worth it," said Ramchandra Patil, managing director of the National Stock Exchange. He said paperless shares ensure a "very clean market" and sharply reduce settlement risk. In the long run, he said, "tremendous liquidity will develop" as the cost of buying and selling shares falls.

Krishna Guha

MIM moves to stem share slide

By Gwen Robinson in Sydney

MIM Holdings, the troubled Australian base metals company, moved yesterday to allay concerns about its tumbling share price, blaming Asia's economic turmoil and falling copper and zinc prices.

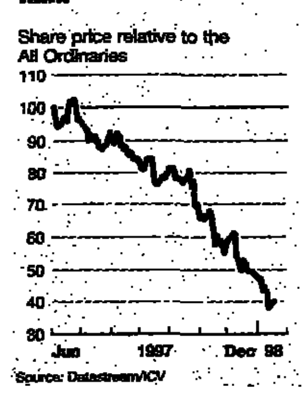
Australia's resources sector has been hit hard by the recent plunge in Asian markets and the weakening outlook for exports. But analysts said MIM's external problems were compounded by internal factors, including rumours of an imminent management shake-up, a forthcoming rights issue and a potential takeover bid.

Shares in the Queensland-based mining company plunged to a near 20-year low of 73 cents on Tuesday, before recovering yesterday to 78 cents. MIM's share price began sliding last month after the company's ill-fated initiative to show analysts its Alumbrera copper-gold project in Argentina.

The tour led to negative reports by leading Australian and international brokers, warning of cost overruns and commissioning problems facing the US$1.2bn project, which is 50 per cent owned by MIM, 25 per cent by North and 25 per cent by Canada's Rio Algom.

MIM yesterday admitted that the fall in base-metal prices would drag on profits and revenues, but said the Alumbrera project had been the victim of "confused reporting". The company reiterated that Alumbrera would produce an annual average of 180,000 tonnes of copper and 640,000 ounces of gold over 20 years, with higher-than-average production in the early years.

Analysts said the MIM statement helped to drive up its share price temporarily, mainly because of the previous day's steep plunge and an increase in overnight metal prices. But the statement contained "nothing new" and was unlikely to lift MIM's share price in the longer term, said one analyst. However, the market had probably overreacted to concerns, he added.



ASIA-PACIFIC NEWS DIGEST

Sega to cut 25% of US staff

Sega, the Japanese video games maker, is to cut a quarter of its staff at its US unit in an attempt to lower costs, as sales of the company's current video games machine were not as strong as hoped.

The Saturn, Sega's 64-bit machine, has lagged behind its competitors in both the US and Japanese markets largely because of a lack of attractive software. Some 5.6m Saturn units have been sold in Japan, compared with more than 10m units of the competing Sony machine, the PlayStation. In the US, Sega has sold 1.8m units, compared with PlayStations's 6.4m units.

The company, which recently named its new president, plans to launch a new games console next year in the US in an attempt to fight back in the market.

Michiyo Nakamoto, Tokyo

■ OIL

Baht collapse hits Thai group

Thailand's state-owned Petroleum Authority of Thailand (PTT) said yesterday it lost Bt2bn ($36m) in 1997 because of the depreciation of the country's currency. However, an operating profit of Bt13bn was 70 per cent up on the year before. Sales increased 41 per cent to Bt230bn and assets rose 27 per cent to Bt147bn.

The company said that since the devaluation of the baht in July it had maintained the lowest retail price of any oil company in Thailand, absorbing increased costs of Bt1bn.

Ted Bardacke, Bangkok

■ BANK OF CHINA

Profits halved in year

Bank of China, China's "foreign currency" bank, saw its profits halved last year and blamed south-east Asia's financial crisis. Pre-tax profits slumped 48 per cent in 1997 to Yn6.03bn ($726.5mn) compared with Yn11.6bn in 1996. The result is a clear sign that China is not immune to the region's financial turmoil.

Bank of China attributed the profits slump to the "financial crisis sweeping south-east Asian countries which had reduced the profits of the bank's regional affiliates". Interest rate cuts which had resulted in narrower margins on lending had also helped to shrink profits, the bank said.

Tony Walker, Beijing

■ SOFTWARE

Fujitsu buys supplier

Fujitsu is strengthening its software and services business in Europe by taking direct control of TeamWARE, a leading supplier of collaborative PC software which was previously a joint venture between ICL, the UK IT software and services group, and Fujitsu.

The move by Fujitsu represents an attempt by the Japanese high-tech company to strengthen its global software business. TeamWARE, which provides software that enables people to work together through their PCs, was previously under the control of ICL, a subsidiary of Fujitsu.

Michiyo Nakamoto

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Questions over run-up to the collapse of Peregrine

By Louise Lucas in Hong Kong

As liquidators yesterday began the process of unwinding Peregrine, the failed Asian investment bank, questions remained in the financial community about events in the run-up to the collapse.

Several senior financial industry executives pointed to a recent share buy-back programme and the release of results intended to quash speculation about the group's financial health. Questions are now being asked over whether there was adequate disclosure of the situation.

Peregrine, like a number of Hong Kong companies, began buying back shares during the October slump on the stock market. However, it was still buying back shares after many of the other companies had stopped, before the announcement that Zurich Group was to make a substantial investment.

The Swiss financial services group announced in November it planned to pay US$200m for a 24 per cent stake in Peregrine. That deal fell apart after the revelation that Peregrine had an exposure of, according to the Jakarta stock exchange, US$280m to Steady Safe, an Indonesian taxi and bus company linked to the Suharto family.

However, Peregrine's share price began rising after the Zurich Group deal was announced, before falling rapidly ahead of its demise.

Philip Tose, founder and erstwhile chairman of Peregrine, yesterday said he did not intend to criticise the US bank which baulked at providing a $60m bridging loan, thereby prompting Zurich to walk away. He said there was no legal obligation or promise for it to make the loan. On Tuesday Mr Tose attributed the collapse of Peregrine to the failure of a US bank to make available short-term funding of $60m, after previously agreeing to extend the loan.

The Securities and Futures Commission, the industryregulator, could not comment on whether or not it was investigating trading in Peregrine stock.

Separately, the SFC has said that it is continuing to monitor closely the operations of Peregrine arms under its jurisdiction, including the brokerage and fund management aside.

Concerns are also being raised over disclosure of the Steady Safe deal and other exposures. Mark Mobius, who heads Templeton's emerging markets fund – which at one point had a 5 per cent stake in Peregrine – said it was something the group would be looking into. However, he said the possibility of launching a legal suit if disclosure was found to have been insufficient was unlikely.

"We have a case in Brazil like this where after almost one year we have not been able to get satisfaction. Hong Kong is not Brazil, it's a lot better in that respect, but it is not in doubt that obviously disclosure is a problem here."

Meanwhile, the search continued for buyers for the viable parts of Peregrine. A number of names have been mentioned in connection with the US$50m fund management arm. Regent Pacific, the Hong Kong-listed fund manager, has said it would be interested.

Trading in commercial paper issued by Peregrine appeared to be unaffected by the collapse. Yesterday Standard & Poor's, the US credit rating agency, affirmed its rating on two commercial paper programmes issued by Peregrine for US$152.5m and US$110m.

Standard & Poor's said the rating is based on credit support in the form of two letters of credit from Credit Suisse First Boston, the Swiss-US bank.

Perils of pioneers, Page 12

DBS Bank buys 60% of BSA

By Justin Marozzi in Manila

The Development Bank of Singapore (DBS Bank) yesterday acquired a 60 per cent stake in Bank of Southeast Asia (BSA), a small Philippine commercial bank.

Analysts said the move represented the start of consolidation in the local banking industry.

DBS Bank, one of south-east Asia's biggest, purchased the majority stake for 1.7bn pesos ($39m).

"DBS Bank's investment will greatly boost BSA's capital and resources, which will enable it to make significant headway in information technology, product innovation and market reach," said Luke Roxas, a BSA director.

The acquisition, which requires approval from the Philippine central bank, comes amid increasing pressure on smaller banks.

It follows recent acquisitions of Philippine banks by Keppel Bank of Singapore and Malaysia's Maybank.

Analysts said the Asian currency crisis was likely to trigger consolidation in the overpopulated banking sector, particularly because of the attractive valuations brought on by the currency collapse.

Japanese retailers set to lower profit forecasts

By Bethan Hutton in Tokyo

Sharp declines in consumer spending are expected to force Japanese department stores to lower their profit forecasts over the coming weeks, as the extent of the retail slump becomes clear.

Unofficial figures this week from Takashimaya, an Osaka department store operator, show that full-year pre-tax profits may drop about 12 per cent to Y14bn ($106m), and operating profits 21 per cent to Y20bn.

Takashimaya had already predicted lower profits for this year, but the worsening consumer climate over the three months since interim results were released means that even the lower expectations will not be met. Other department store chains are in a similar position.

The latest figures for department store sales show a drop of 5.6 per cent in Tokyo in November, the eighth consecutive fall. The year-end is traditionally the strongest season for retailers, but December figures are now expected to show another substantial drop.

Consumer spending had already been weakened by the consumption tax increase in April last year, but as corporate bankruptcies reached record levels, fears over job security added to consumer caution.

The November household spending survey, released this week, showed spending down 2.1 per cent in real terms, and gave one hint of what consumers are doing with their money: the savings ratio increased to the highest level in more than three years.

Ken Egusa, retail analyst at UBS Securities in Tokyo, said many of Japan's department stores also face difficulties arising from over-diversification, particularly into property and golf course development. Takashimaya is expected to post extraordinary losses of about Y11bn, mainly relating to bad-debt reserves.

Rapid expansion of department store floor space and store openings over the past 12-18 months have also led to heavy competition in a flat or declining market.

Takashimaya's Shinjuku store, the centrepiece of the Tokyo's Times Square development opened in 1996 and was an immediate hit, but its recent performance has been disappointing. Unofficial figures show sales at the store down 20 per cent year-on-year in the October to December period.

Share price jumps as Dr Pepper/Seven Up seals soft drinks bottling and distribution deal

Cadbury secures Coca-Cola agreement

By Richard Tomkins in New York and David Blackwell in London

Shares in Cadbury Schweppes, the UK soft drinks and confectionery company, jumped 52½p to 685p after its US soft drinks arm, Dr Pepper/Seven Up, secured a new bottling and distribution agreement with Coca-Cola Enterprises.

Coca-Cola Enterprises, the biggest soft drinks bottler in the US, is to continue to make and distribute Dr Pepper branded drinks until at least the end of 2005, extending the existing contract by five years. Although Dr Pepper/Seven Up is the third largest US soft drinks company, it has no bottling or distribution capacity of its own. Its products are made and sold by Coca-Cola or Pepsi-Cola bottlers or independent bottling companies.

Analysts welcomed the news on an issue that has dogged the share price for the last 18 months. The City had feared that either Coca-Cola or PepsiCo might ditch Dr Pepper, Cadbury's leading brand in the US.

"The news scotches one of the bears' strongest suits in London," said David Lang of Henderson Crosthwaite. Another described it as "a very public vote of confidence by Coca-Cola in the Dr Pepper brand and Cadbury as a working partner."

However, another was surprised at the extent of the share price rise. "The agreement only covers 10 per cent of the group's soft drink volumes in the US." Coca-Cola Enterprises is a separately quoted company 45 per owned by Coca-Cola.

It distributes about 20 per cent of Dr Pepper branded drinks and about 12 per cent of Dr Pepper/Seven Up's total output.

It will continue making and selling certain other Dr Pepper/Seven Up branded drinks, including Schweppes, Canada Dry and Squirt, until at least the end of 2001, extending the existing contract by three years.

The 7-Up brand is not included because it is not distributed by Coca-Cola Enterprises.

Although the deal provides Dr Pepper/Seven Up with an important outlet for its products, it comes when the company is thought to be trying to buy one or more independent US bottling companies as part of a plan to build up its own distribution network.

Under the present arrangement, Dr Pepper/Seven Up is at a disadvantage in the US because Coca-Cola and Pepsi-Cola bottlers, which distribute about 56 per cent of its output, encourage their customers to buy Coke and Pepsi products rather than Dr Pepper/Seven Up's.

Speculation about possible acquisitions by Dr Pepper/Seven Up has focused on two large mid-western bottlers that already bottle the company's products: Beverage America, based in Holland, Michigan, and Select Beverages, based in Darien, Illinois.

LEX COMMENT
Dixons

So Dixons has become the first heavyweight retailer to fall foul of Christmas, producing an ugly trading statement. With full-year earnings forecasts being cut back about 10 per cent, a similar fall in the share price seems only appropriate. But doomsters who believe the company has gone ex-growth are over-egging the pudding. That requires the gloomy view that personal computers – one of the big ticket areas to slow sharply ahead of Christmas – have become just another mature white-goods market. But with product life-cycles still much shorter, and penetration levels still only half those in the US, that seems implausible.

The explanation for Dixons' woes is probably more prosaic. First, contrary to expectations, the windfall spending of last summer clearly cannabalised Christmas sales, especially in the semi-durables area. Second, the huge shift to post-Christmas purchases – the company's best ever week came after Christmas – clearly had an impact. And five rises in interest rates had the effect the Bank of England desired.

Taking a longer view, Dixons' strategy continues to deliver market share gains, without diluting margins. Coupled with solid management and a good balance of businesses, a forward earnings multiple of about 15 times 1998 earnings represents good value. But with demanding comparatives ahead, and consumers perhaps facing further interest rate increases, investors should feel in no hurry to buy the shares.

BA and Lot in partnership

Link-up is in response to Star Alliance, the six-airline carrier launched last year

By Michael Skapinker

British Airways and Lot Polish Airlines are expected today to announce a partnership as part of the UK carrier's drive to compete with the six-airline Star Alliance.

Lot already has links with American Airlines, with which BA is attempting to establish an alliance. Regulators in Brussels and Washington are expected to announce next month whether they are prepared to allow the BA-American tie-up to go ahead.

BA will today unveil details of its links with Lot in Warsaw. The partnership is likely to include "code sharing" on some routes. Code sharing allows airlines to sell seats on each other's flights. Lot is regarded as one of the most successful of the former Soviet bloc airlines and has replaced its Russian aircraft with an all-western fleet.

BA has become concerned about the strength of Star Alliance, which is made up of Lufthansa of Germany, United Airlines of the US, Scandinavian Airlines System, Air Canada, Thai Airlines and Varig of Brazil. Star Alliance is able to offer flights to destinations worldwide and BA executives say they have lost some corporate customers to it.

BA and American have complained that Star Alliance, which was launched last year, has been allowed to operate even though it has yet to win regulatory clearance from the European Commission. By contrast, BA and American, which first launched their planned alliance more than 18 months ago, have not been allowed to begin co-operating. The two airlines plan to co-ordinate the flight schedules, pricing and marketing and to share revenues on their transatlantic routes.

Brussels is investigating Star Alliance but has said it is powerless to stop it from operating because several members of the grouping have won anti-trust immunity from the US authorities.

Lot's links with American began in 1996 when the two airlines began code sharing on flights from Warsaw to Los Angeles and Miami.

Lot would be the second potential partner that BA and American have in common. Both BA and American are talking to Iberia about taking minority stakes in the Spanish carrier when it is privatised.

BA is also attempting to strengthen its position in continental Europe to take advantage of the liberalisation of the European aviation market. BA has subsidiaries in France and in Germany, where Deutsche BA has been competing with Lufthansa.

However, BA is weaker than Lufthansa in Poland and its link with Lot is an attempt to counter the strength of its German rival.

Quebecor move on Watmoughs faces delay

By Andrew Edgecliffe-Johnson

The UK's Takeover Panel yesterday stopped the clock on Quebecor's hostile £188m ($303m) bid for Watmoughs, the UK printer, to allow more time to decide on whether the deal should be refered to the Monopolies and Mergers Commission.

The delay came as the Canadian bidder stepped up the war of words by warning shareholders that its target's profit margins and contracts were "under threat".

Watmoughs should normally have published all the significant information in its defence by this Friday – day 39 of the bid. This deadline has been extended until two days after the announcement on whether the bid will be referred, which is expected in about 10 days.

Watmoughs, which said it had made no submission to regulators, is expected then to provide an estimate of its 1997 profits.

Charles Cavell, Quebecor's president and chief operating officer, predicted that its target would "put everything into" the profit estimate, but "the real issue" was its future performance.

He said Watmoughs' 1997 interim results showed a sales fall in six of its eight market sectors, although Watmoughs countered that four of the sectors accounted for just 17 per cent of its turnover.

The two sides clashed over Quebecor's claim that Watmoughs had lost certain contracts, and its query about the terms on which a News International contract was renegotiated last year.

It also emerged that Watmoughs no longer prints the catalogue for Ikea, the Swedish-based furniture group. Watmoughs said it had "helped out" by printing 2m of the 8m catalogues last year, but not under contract.

Sir Derek Birkin, Watmoughs chairman, said: "They continue to behave like an untrained machine gun, spraying bullets which are not hitting any targets except on the numerous occasions when they shoot themselves in the foot."

Christmas sales down at Dixons

By Peggy Hollinger

Dixons yesterday revealed itself as the first serious victim of a change in consumers' Christmas spending patterns, unveiling a sharp fall in recent trading that knocked 10 per cent off its shares.

The UK's largest electricals retailer said comparable sales had fallen by about 6 or 7 per cent in the immediate run-up to Christmas as consumers deferred purchases – particularly of personal computers – until the January sales.

The group warned that as a result of the 4 per cent decline in like-for-like sales in the eight weeks to January 10, annual profits would fall below market expectations, although well ahead of last year.

Analysts cut this year's profit forecasts from about £250m to £215m ($350.5m). Next year's expectations were reined in even more, from about £275m to £230m.

The shares fell 58p to 524p.

Hercules bid for Allied cleared

By Roger Taylor

The lull in the £1.1bn ($1.79bn) battle for control of Allied Colloids, the UK chemicals company, ended yesterday when Margaret Becket, the trade and industry secretary, refused to intervene in the hostile bid by Hercules, the Delaware-based chemicals group.

Allied Colloids has two days to issue its final defence document. The bid timetable was put on hold two weeks ago pending a decision from the competition authorities.

Hercules was quick to rejoin the battle yesterday after issuing a strongly worded attack on Allied Colloids' management. It criticised the record of the company's US division, which was run by David Farrar before he became chief executive in 1994.

"Allied Colloids may try to present its top management as being new," Hercules' statement read, "but David Farrar has been a director since 1990 and ran the North American operations from 1991 to 1995. Hercules believes that Allied Colloids' record, particularly in the US, is uninspiring."

Allied Colloids did not respond yesterday. It is understood to be saving its fire for tomorrow, when it is expected to reinforce the points made in its earlier defence document. Mr Farrar has said that the 155p a share offer undervalues Allied Colloids and the management was taking the necessary steps to improve profitability.

Hercules launched its cash bid in November. The shares have traded at more than 165p since the offer was made, reflecting the belief that Hercules will raise its bid. However, Hercules has said that at 14.8 times prospective earnings before interest and tax, the offer is higher than most other recent takeovers in the sector.

Allied Colloids shares fell 1p to 167p.

THE HIGH COURT
1997 No. 266 COS
In the Matter of
SEAFIELD PLC
And in the Matter of
THE COMPANIES ACTS
1963 - 1990

NOTICE is hereby given that a Petition presented to the High Court of Ireland on the 12th day of January 1998 seeking the Court's approval for:

1. A reduction of the authorised share capital of Seafield plc from IR£21,500,000 to IR£4,300,000 and a reduction of the issued share capital of Seafield Plc from IR£16,553,037.75 to IR£3,310,607.55; and

2. A reduction of the share premium account of Seafield plc by an amount of IR£74,725,035.25;

which reductions do not involve either the diminution of any liability in respect of unpaid capital or the repayment to any shareholder of any paid up capital, is directed to be heard before the High Court of Ireland on Monday the 26th day of January 1998.

Dated this 14th day of January 1998

Dockrell Farrell
Solicitors for Seafield Plc
51/52 Fitzwilliam Square
Dublin 2
Ref: FMCM/TW

NOTE: Any person who intends to appear at the hearing of said Petition must serve or send by post to Dockrell Farrell, Solicitors at the above address notice in writing of his intention so to do. The notice must state the name and address of the person, or if a firm, the name and address of the firm, must be signed by the person or firm, or his or their Solicitor (if any) and must be served, or, if posted must be sent by post in sufficient time to reach Dockrell Farrell Solicitors, (quoting the reference FMCM/TW) not later than 5.00pm on the afternoon of Friday the 23rd day of January 1998.

HIT wins rights to comic classics

By Cathy Newman

HIT Entertainment, the children's television rights owner and distributor, has secured global distribution rights to three classic American cartoon characters.

HIT has paid about $500,000 to remake and distribute cartoons of *Bozo the Clown* and *Laurel & Hardy*.

Bozo is described in the US as an "icon", but that does not prevent politicians from taking his name in vain. In 1996, Bob Dole vowed to kick "Bozo" – President Bill Clinton – out of the White House, and four years earlier, President George Bush dubbed Mr Clinton and Al Gore as "two Bozos".

Bozo was created in the 1950s by Larry Harmon, who still holds the character rights. *The Bozo Show* is seen in about 50m US homes each day.

Peter Orton, managing director of HIT, said: "It's most unusual for a US company to allow a European company to have the rights in the US as well as internationally." He added that HIT, which is capitalised at £65m ($106m), had pitched against "all the major US studios" for the rights. HIT is to create 62 half-hour episodes of *Laurel & Hardy* and *Bozo the Clown*.

Through the deal, HIT is to take a 35 per cent share of sales, which are expected to reach more than $6m in five years. The rights will be automatically renewed if HIT achieves certain targets.

The move signals HIT's determination to expand in the US. Mr Orton will make presentations to the big US publishing houses in the next month, with the aim of securing rights to classic book-based characters.

Classic clowns: the cartoon Laurel and Hardy and Bozo

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Budgens	28 wks to Nov 9	184.8	(172.9)	5.81♠	(5.04)	2.67	(2.3)	0.45	Apr 14	0.4	-	1.4
City Site Estates	Yr to Sept 30	10.2	(11.1)	0.246♠	(0.11♠)	5.42L†	(1.58)	nil	-	nil	nil	nil
Dixons	28 wks to Nov 15	1,314	(1,061)	77.1	(57.5)	12.6†	(9.)	2.9	Mar 2	2.4	-	10.5
Dudley Jenkins	6 mths to Oct 31	13.4	(9.91)	1.65	(1.29)	8.12	(6.35)	2	Apr 9	1.5	-	4.75
First Technology	6 mths to Oct 31	27.7	(23.4)	5.77♥	(4.2)	8.1	(5.73)	1.8	Mar 2	1.4*	-	3.6*
Irish Continental‡	Yr to Oct 31	139.1	(127.2)	14.5	(10.5♠)	56.1	(44.2)	4.32	Mar 27	3.6	6.48	5.4
KS Biomedix Φ	6 mths to Nov 30 ☆	-	(0.01)	0.557L	(0.847L)	-	(-)	-	-	-	-	-
Lowe (Robert H)	Yr to Oct 31	42.1	(30.5)	4.1	(2.4)	2.76†	(2.3)	0.28	May 4	0.2	0.405	0.3
NRP Φ	6 mths to Sept 30	0.135	(0.102)	0.07L	(0.02)	2.42L†	(0.81)	-	-	-	-	1.25
Stanley Leisure	6 mths to Oct 26	232.2	(209.6)	10.1	(7.4)	6.3	(4.5)	1.4	Feb 23	1.2	-	4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberforth Smaller	Yr to Dec 31	255	(256.6)	7.39	(5.45)	8.97†	(7.61)	4.4	Mar 6	3.25	7.05	5.5#
Aberforth Split	6 mths to Dec 31	357.3	(353.2)	1.86	(1.52)	5.99	(4.91)	2.45♦	Mar 6	2.25	-	10.75
Exmoor Dual	3 mths to Nov 30	41.61	(23.68)	0.22	(0.211)	2.49	(2.39)	1.8	Feb 27	1.65	-	6.8
M Currie Moorgate	6 mths to Nov 30	186.5	(185.2§)	0.698	(0.867)	2.47	(2.98)	1.8	Feb 16	1.8	-	4.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. *Adjusted for scrip issue. ‡Irish currency. ΦAim stock. ☆Comparatives for year to May 31. #Includes 0.8p special. ♦Second interim; makes 4.9p to date. §At May 31.

Shareholders agree Hambros bank sale

By George Graham, Banking Editor

The £300m ($489m) sale of Hambros' banking division to Société Générale of France could be completed by March, following approval of the plan yesterday by shareholders at an extraordinary meeting.

Although an estimated 150 shareholders crowded into Hambros' Tower Hill headquarters, directors faced only limited questioning on the sale, now largely conditional on approval from banking supervisors.

Hambros has come under pressure from a number of institutional investors for its performance, but yesterday provided an opportunity for individual shareholders, including many pensioners and employees to express their views about proposals to run down the Hambros group. The sale was approved on a show of hands.

The company said yesterday that it was not yet able to give further details on what will happen to its remaining assets, which include controlling stakes in Hambro Countrywide, the estate agency, and Hambro Insurance Services, the loss adjuster.

OBITUARY

Gareth Evans

Gareth Evans, a Managing Director of Goldman Sachs International, died suddenly on 23rd December 1997.

Gareth joined the firm in 1994 after five years with Rothschild Asset Management and, before that, nine years at the Bank of England where he was Deputy Chief Manager of Foreign Exchange Reserves. At Goldman Sachs he was Head of Currency Management for Goldman Sachs Asset Management with responsibility for managing currency exposure as well as running currency funds.

All his colleagues at Goldman Sachs wish to express their deepest sorrow at the passing of a good friend and to send heartfelt sympathy to Gareth's widow, Sara, and their two young sons.

TECHNOLOGY

Clive Cookson examines EU funding proposals

The fifth element

During the UK's six-month presidency of the European Union, the main publicity will focus on monetary union and expansion eastward – two issues on which there can be no clear resolution before the presidency moves on to Austria on July 1.

There is a good chance, however, that the future of the EU's science and technology activities can be decided.

At stake is the expenditure of about Ecu3.5bn (£2.4bn) a year – 4 per cent of the total EU budget – on research across a wide range of fields from biotechnology to nuclear fusion. This is the last year of the current Fourth Framework Programme of R&D. The outlines of its successor, Framework Five, must be agreed before the end of the UK presidency if there is to be a smooth transition with no disruption of funding.

There are two broad questions: how much should be spent on the next programme, and what shape should it take?

Framework Four had a budget of Ecu13.2bn over four years. The European Commission is proposing to spend Ecu16.3bn on Framework Five from 1999 to 2002, an increase that reflects Europe's forecast growth in gross national product over the period.

The free-spending European Parliament wants to raise the figure to Ecu16.7bn. Some member states, anxious to hold down public spending, will fight to prevent any increase on Ecu13.2bn. But Edith Cresson, the commissioner responsible for research and science, says savings on the Framework Programme would not go back to national governments; they would go instead into other EU activities which "make less contribution to future prosperity than research."

Observers say the eventual compromise could lead to a four-year budget anywhere between Ecu14bn and Ecu16bn.

The shape of Framework Five looks, at first sight, quite different to its predecessor. Framework Four has 18 separate programmes – the table below shows current calls for research proposals. In contrast the commission's latest plan for Framework Five, released yesterday, has just seven programmes.

At the heart of Framework Five will be four "thematic" programmes. Their official descriptions are:

- Improving the quality of life and the management of living resources;
- Creating a user-friendly information society:
- Promoting competitive and sustainable growth; and
- Preserving the ecosystem.

The three smaller "horizontal" programmes cover: international co-operation; innovation and smaller companies; and developing human potential.

Mrs Cresson says these proposals represent a decisive "break from the past", offering a better targetted, more flexible and less bureaucratic structure. However, some observers believe the change will be in the packaging rather than in the content of Framework.

"The inertial forces are very strong," says Margaret Sharp, European technology policy specialist at Sussex University's Science Policy Research Unit. "After all the debate, it seems likely that the Fifth Framework Programme will end up by offering us very much the same menu as before."

Although the thematic programmes sound different to their predecessors, they contain what the commission calls "key actions" and proposals to develop generic technologies. Between them, these seem to cover as wide a field as Framework Four did through its 18 programmes.

For example the first theme, which spans the life sciences, contains the following key actions: the ageing population; health, food and environmental factors; control of viral and other infectious diseases; the "cell factory"; and integrated development of rural and coastal areas. In addition, a vast range of generic research is covered, from genetics to bioethics.

Comprehensive coverage may be inevitable, given that the EU has built up a huge constituency for Framework funding. During 1996, the commission received 24,000 research proposals and agreed to fund 6,000 projects with 25,000 academic and industrial participants.

"There are remarkably few large firms, research institutes or university departments across Europe that have not been involved in one of the collaborative programmes funded by the EU," says Mrs Sharp.

Besides Framework's funding and content, another issue is its management, which has been criticised for being slow, bureaucratic and over-centralised.

Philip Wright, senior technology policy adviser at the Confederation of British Industry, says: "Our biggest concern of all is to improve the way the programme is managed." The commission should be able to turn round research proposals within six weeks, he says; at present funding decisions often take six months or more to reach.

The next key step in formulating Framework Five will be the meeting of the EU science and technology ministers, who make up the Research Council, on February 12.

The UK's John Battle says: "It is extremely important that the council reaches a common position then, and I shall be pressing my European colleagues hard to achieve this. The time pressure is very much on if we are to provide an orderly progression from the fourth to the fifth programme."

Anyone who wants to follow the progress of the UK Research Council presidency can do so on its web site, *www.cordis.lu/uk/home.html*

EU research funding

Source: European Commission

Edith Cresson

European Union research and technology grants

Programme	Date/OJ reference	Due date	Value* Ecu m	DG	Contact fax/Email
Information Technology (Esprit)	15.4.97/C117 (with Brite-EuRam) 16.9.97/C280 17.3.98	31.3.98 18.2.98	2,035 +27	III	Mrs Gerda Colling +32-2-296.83.88 esprit@dg3.cec.be
Software, components & subsystems; multimedia; Long-term Research; Open Microprocessor System Initiative; high-performance computing; business process technologies; manufacturing integration					
Telematics Applications	16.12.97/C381 (with transport)	16.3.98	898 +15	XIII	+352-4301.340.79 & +32-2-295.23.54 telematics@dg13.cec.be
Administration; Transport; Research; Education & Training; Urban & Rural Areas; Healthcare; Environment; Language Engineering; Programme Support Actions; Specific Measures for SMEs					
Industrial & Materials Technologies (Brite-EuRam)	15.12.95/C337 17.12.96/C381 CRAFT accompanying measures 15.4.97/C117 & 31.10.97/C329(both with Esprit) 31.10.97/C329 (with Environment & Climate)	20.5.98 8.4.98 20.5.98 31.8.98 & 22.9.98 22.9.98	1,722 +15	XII	Help line +32-2-295.80.46 imt.helpdesk@dg12.cec.be
Production technologies; & technologies for product innovation; technologies for transport					
Standards, Measurements and Testing (SMT)	15.12.94/C357 15.6.95/C148	8.4.98 (SMEs) 30.7.98	184	XII	Mr Pierre Mériguet +32-2-295.80.72 smt-helpdesk@dg12.cec.be
Measurements for Quality European Products; standards and technical support to trade; measurements related to the needs of society					
Environment and Climate	17.1.95/C12 15.12.95/C337 31.10.97/C329 (with Brite-EuRam) 16.12.97/C381	1.4.98 (SMEs) 29.3.98/20.8.98 22.9.98 16.3.98	566.5 +7	XII	Help line +32-2-296.30.24 environ-infodesk@dg12.cec.be
Environmental quality & global change; environmental technology; space techniques for environmental monitoring & research; sustainable development					
Marine Science and Technology (MAST III)	15.12.94/C357 17.6.97/C183 16.12.97/C381	8.4.98 (SMEs) 12.6.98 (supporting initiatives) 29.3.98, 20.8.98	243	XII	Mr Jean Boissonnas +32-2-296.30.24 mast-info@dg12.cec.be
Marine science; strategic marine research technology					
Biotechnology	15.12.95/C337 15.6.96/C171 17.12.96/C381	8.98 3.7.98 (training) 3.98 & 9.98 (workshops)	588 +7.5(TSE)	XII	Mr Stéphane Hogan +32-2-296.29.65 life-biotech@dg12.cec.be
Cell factories; genome analysis; cell communications in neurosciences; immunology and vaccines; structural biology; biodiversity; social acceptance					
Biomedicine and Health	17.1.95/C12 SME/CRAFT	8.4.98	358 +16(TSE)	XII	Mr Alain Vanvossel +32-2-295.53.65 alain.van-vossel@dg12.cec.be
Pharmaceuticals; biomedical technology & engineering; brain research; human genome research; public health; biomedical ethics					
Agriculture and Fisheries (FAIR)	15.12.94/C357 SME/CRAFT 15.10.97/C313	8.4.98 16.3.98	646.5 +11.5 (TSE)	XII VI XIV	Mr Xabier Goenaga +32-2-296.43.22 life-fair@dg12.cec.be
Integrated production & processing chains; nutritious foods; agriculture, forestry & rural development; fisheries & aquaculture					
Non-nuclear Energy (JOULE-THERMIE)	15.12.94/C357 15.6.96/C171 15.9.97/C280	8.4.98 (SMEs) 3.98-2.98 (training) 30.1.98 (Demo)	1,030 +9	XII (R&D) XVII	Mr Michel Poireau (R&D): +32-2-295.06.56 Mr Wiepke Folkertsma (Demonstration): +32-2-295.05.77; info@dg17.cec.be
Strategy; rational energy use; renewable sources; fossils fuels; energy technology dissemination					
Transport	16.12.97/C381 (intermodality, with Telematics Applications) 16.12.97/C381	16.3.98 16.3.98	256 +7	VII	Mr Wilhelmus Blonk +32-2-296.83.56
Strategic; Rail; Integrated transport chains; Air; Urban; Water-borne; Road					
Targeted Socio-Economic Research (TSER)	16.9.97/C280	15.1.98	112	XII	Mr Peter Fisch +32-2-296.21.37 tser-secr@dg12.cec.be
Evaluation of science & technology policy options; education & training; social integration & exclusions					
International Cooperation	15.2.95/C38	Individual fellowships 1.3.98	575	XII	Non-Europe, industrialised: Mr Louis Bellemin +32-2-296.86.24 inco-desk@dg12.cec.be
Central & Eastern Europe; other industrialised countries; developing countries					
Training & Mobility of Researchers (TMR)	16.12.97/C381	31.3.98	792	XII	Mr Jürgen Rosenbaum +32-2-296.90.28 tmr-info@dg12.cec.be
Technology validation; Technology transfer					

* Programme values show indicative breakdown: additional funds from financial supplement (ECU 115 million) approved by the Council and the European Parliament. ACTS, NUCLEAR FISSION SAFETY, and INNOVATION have no open calls

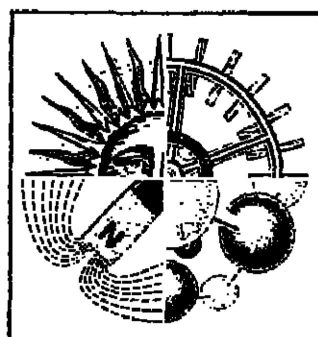
The table above shows the status of the main programmes that distribute R&D grants within the EU Fourth Framework Programme. The name of each programme (and acronym, if any) is on the left in bold type, with a brief list of its main research areas beneath.

The next column gives the date(s) on which the EU Official Journal has published a "call for proposals" for the programme, with the reference number of the journal. Dates without a reference number show when the future calls are scheduled. The "due date" column gives the main deadline for submitting project proposals. Some Calls have different due dates for different activities. The total budget of the programme over five years is given in millions of Ecu, followed by the number of the directorate-general responsible for it.

Finally there is a contact name (where available) and fax number in Brussels or Luxembourg. For further information look for DG XII's pages on the EU's Europa web site: http://europa.eu.int/comm/dg12

NB: CORDIS now offers automated search for open calls on http://www.cordis.lu

Worth Watching · Vanessa Houlder



Sense of smell nosed out

Smell is the least understood of the human senses. But biologists at Columbia University believe they have made a breakthrough in understanding how the sense of smell works. They have matched a particular smell – that of meat – with the proteins in the human nose that detect it.

The work builds on the discovery in 1991 of 1,000 proteins that appear to be odour receptors. These proteins stick out from nerve cells inside the nose. When they come in contact with airborne molecules, they set off reactions that create a perception of smell in the brain.

Overall, nerve cells are capable of recognising around 10,000 chemical smells, although exactly how this is done has yet to be unravelled.

Columbia University: US, tel 2128546580; web, www.columbia.edu/cu/pr/

Small is powerful

An unusually light and compact electrical generator has been developed on the back of research carried out at Imperial College in London.

The Turbo Genset Company says its 100kg generator is capable of producing as much power as conventional machines that weigh as much as two tons. It is also more reliable than alternatives because it has only one moving part.

It uses an alternator – a generator that produces alternating current – which is capable of operating at the same speed as a gas turbine engineer, allowing the power to be harnessed directly from the engine shaft without the need for a heavy reduction gearbox.

Possible applications include standby and portable power generation, combined heat and power, and hybrid vehicles which use both combustion engineers and batteries.

Turbo Genset: UK, tel (0)181 5702946; fax (0)181 570 5423.

Lab testing by compact disc

A modified CD player and disposable compact discs could form the basis of a versatile and relatively inexpensive medical device capable of performing virtually all laboratory tests simultaneously. Gamera Bioscience Corporation, the Massachusetts-based system developer of the system, expects to bring its LabCD System to the market in 1999.

The user simply places a drop of blood, saliva or urine in an opening in the centre of the disc, which contains internal capillaries and reagent reservoirs. When the disc is spun, the samples are moved via centrifugal force. The CD player then analyses the processed fluids, producing a quantitative result.

Gamera Bioscience: US, tel 6173060827; fax 6173060837.

Easing the eye on screen use

Many people find that long hours in front of a computer screen strains their eyes. One reason is that an image on a computer screen differs markedly from a printed image on paper. A black character on white paper has well-defined borders, sharp contrast and a consistent density, unlike a character formed on a computer monitor.

Researchers at Lewis & Clark College in Portland have developed a vision tester that simulates the image on a computer monitor. Users who wore glasses prescribed using this tester were found to suffer from less eye strain and fewer headaches than those wearing glasses prescribed in the normal way.

Lewis & Clark: US, tel 5037687963; e-mail kempe@lclark.edu

Power to the African people

Four hundred homes in southern African villages now have mains power, and thousands more will soon be getting it, thanks to an old technique that has been reworked by the African arm of a UK engineering consultancy.

The technique is single wire, earth return (Swer): in other words, the power goes out along a single wire, *mounted on simple poles* with long spans, and then uses the earth to return.

Gibb Africa, part of Sir Alexander Gibb and Partners, has shown that Swer can transmit power to small users in outlying areas more cheaply than conventional transmission with three conductor wires. Eskom, the South African power company, expects to save about £10m this year by using the technique.

Householders will use the same 230-volt lighting and appliances as those supplied conventionally; but the lines that carry power to their local transformer will be Swer.

Australia and Brazil have used Swer for years to take power long distances to outlying farms. Eskom and the Botswana Power Corporation need to supply customers who are closer at hand and greater in number, but for whom they cannot justify a conventional supply.

Gibb looked at the science and showed that Swer could take higher currents and voltages than those used in Australia, and that suitable switchgear and other equipment were available. A Gibb system can provide 500kW of power, enough for the five small villages in the £500,000 pilot project in Botswana, now nearly complete.

In the earth return system, a flow of electricity is attracted back from the earthing electrode to the source. In the wet ground of the UK, the flow would be so direct and strong that it would cause heating problems. But in the dry ground of Africa it is more widely dispersed.

The 19,000 volts of the Swer line help overcome one of the problems of the technique – *that of distinguishing* the normal return flow of power through the ground from the abnormal flow when a conductor wire has fallen and needs to be repaired. The voltage and South Africa's insulation co-ordination standards also allow Swer to perform well even during lightning.

Gibb has also had to show it can protect people and animals from high voltages in the electrodes, which stretch 18m into the ground to connect the system to earth.

Swer is safer than conventional systems in one important respect. If a conductor wire breaks, the electric supply beyond the break is terminated.

Botswana, which had to change its regulations on the earthing of power systems to enable the pilot project to ahead, expects to use Swer for 60 more villages.

Eskom, where Gibb has trained staff, expects to use the technique for more than half the 500,000 power connections it plans for 1998.

Gibb's work won it the Shell Technology Award, in the annual business awards organised by the educational agency, Worldaware. The awards were presented in London this week by Clare Short, the UK's international development secretary.

David Spark

INTERNATIONAL CAPITAL MARKETS

European short-dated bonds hard-hit

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets saw a sharp spell of profit-taking yesterday, after a further recovery in Asian stock markets.

Shorter-dated bonds throughout Europe were particularly hard-hit, as investors became concerned that interest rate rises could move back on to the market agenda.

UK GILTS were in the firing line, following the release of stronger than expected wage figures, together with some downbeat minutes from the last Bank of England monetary policy committee meeting.

The March gilt future fell ¾ to settle at 123$\frac{11}{16}$.

Kevin Adams, gilts strategist at Barclays Capital, said he thought the labour data "probably shifts the balance in favour of another interest rate hike".

The short sterling futures market fell sharply yesterday, with the June contract down 0.16, and the short-end of the yield curve was hit particularly hard.

Mr Adams pointed out that yields on two-year gilts had fallen further below base rates than at the time the UK dropped out of the European exchange rate mechanism in 1992. Yields on two-year gilts rose by 13 basis points yesterday.

The labour data showed a near 29,000 fall in unemployment in December and underlying average earnings running at 4.75 per cent.

This was seen as evidence of "wage-push inflation", which would weigh heavily on MPC minds at the next meeting. The spread against bunds widened by 2 basis points to 108 points.

GERMAN BUNDS opened sharply lower, with the March future falling by 0.49 but recovering much of its losses to end the day just 0.07 lower at 106.42. Volumes remained active, with more than 231,000 contracts traded.

David Brown, economist at Bear Stearns, said: "Ten-year bunds have seen a strong bounce off very tough resistance at 5 per cent near-term, but it won't be too long before this eventually falls."

Nonetheless, bunds were not helped by comments from Bundesbank council members playing down the impact of the Asian crisis on the Germany economy, and therefore the possibility of an interest rate cut.

FRENCH OATs bucked the negative trend, with the March future settling 0.10 higher at 103.12, helped by the lacklustre opening in US equities. However, ITALIAN BONOs moved in line with bunds. The March contract settled down 0.11 at 117.47.

US TREASURIES rose moderately higher in morning trading as new retail sales figures were released. By early afternoon the benchmark 30-year Treasury bond had gained ¼ to 105⅞, sending the yield down to 5.712 per cent.

Among shorter-term issues the 10-year note gained ⅛ to 105¼, yielding 5.415 per cent while the two-year note was $\frac{1}{32}$ higher at 100$\frac{11}{32}$, yielding 5.233 per cent. The Federal Funds rate was 5.50 per cent.

A morning retail sales report had little influence on trading. Retail sales in December rose 0.7 per cent, in line with expectations.

"The focus continues to be on Asia, with a lot of cross currents," said David Ging, market strategist at Donaldson, Lufkin & Jenrette in New York. "There should be a lot of choppy trading for the next few weeks as Asia continues to drive the market and US domestic data takes a back seat."

In yesterday's market fresh rumours of possible loan defaults in Asia, as well as speculation that Latin America and China could be influenced by the Asian currency crisis, had created a mixed tone.

Among the recent trends analysts are watching is the level of yields at the short-end of the curve. The Federal Funds rate, the benchmark for short-term interest rates, continued to range above the yields of short-term Treasury notes, an occurrence usually associated with a tightening of interest rates.

Meanwhile, debate about the Federal Reserve's next move continues to widen. Most analysts expect that the Open Market Committee will keep short-term interest rates on hold at its next two-day policy meeting starting on February 3.

Japanese in foreign bond sales surge

By Gillian Tett in Tokyo and Simon Davies in London

Japanese investors rushed to sell foreign bonds in November, pushing net sales to their second highest monthly figure, it emerged yesterday. The surge was partly triggered by heavy sales of US Treasuries by Japanese groups, the ministry of finance said.

The figure could reflect profit-taking by Japanese groups, but it provides the first signs that the financial turmoil in Japan prompted banks and other companies to sell US Treasuries to avoid a cash squeeze.

Japanese investors own an estimated $800bn of foreign bonds, excluding the country's foreign exchange reserves, and are estimated to own almost 10 per cent of all US Treasury bonds.

Joanne Collins, senior market strategist at Nomura International, said: "This confirms the rumours that Japanese investors were being forced to repatriate funds once the Asian crisis picked up momentum."

However, November is expected to have been the peak month for sales, given the collapse of Yamaichi Securities and uncertainty over how Tokyo would respond to the crisis.

Ms Collins said: "For as long as Japanese finance houses remain in trouble, these high net sales are likely to continue. But the pressures have diminished somewhat, with the government rescue package and the fall in the Japan premium [the extra cost Japanese banks pay to secure funding in the inter-bank market]."

Yesterday's data do not reveal what proportion of sales stemmed from bank activity, or the level of actual US Treasury sales. However, suspicions that companies were taking these steps have circulated in the market since the collapse, in November, of three big Japanese financial institutions.

The failures left many Japanese banks facing severe difficulties in borrowing US dollars and pushed the Japan premium above 100 basis points, a record.

In response, weaker banks are thought to have sold foreign securities, including US Treasuries, to raise dollars. Since then, the ministry of finance is thought to have provided dollar loans to some of the weaker banks to alleviate the squeeze.

However, November's crisis pushed net sales of foreign bonds up to Y1,360.6bn, the ministry of finance said. This was the second highest figure since records started in 1980. The highest ever level of net sales, Y1,392.6bn, occurred in March 1994.

November's net sales contrasted sharply with October, when Japanese companies made net purchases of Y1,931.6bn of foreign bonds.

Analysts suggested that net sales were likely to have remained high in December and January, but that they would be substantially down from November's level.

The buoyant performance of the US Treasury market since the Asian crisis began demonstrates that the selling pressure from Japan was more than offset by the so-called flight to safety, as investors switched into lower risk assets.

Euro-fungible offering by Chase Manhattan

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Chase Manhattan opened a new sector yesterday with the first euro-fungible asset-backed security. The seven-year offering, split into guilder, D-Mark and French franc tranches, was also Chase's first eurobond securitisation.

The three tranches will merge into a $750m-equivalent issue after European monetary union next January. Morgan Stanley, joint lead manager with Chase, said it received a strong response in all three markets.

The D-Mark and guilder portions were priced to yield 33 basis points over their respective government curves while the French tranche offered 32 basis points over OATs.

CREDIT LOCAL DE FRANCE launched a two-tranche euro-tributary bond, in French francs and Italian lire. The parallel bonds, however, differed slightly from similar issues, the two tranches having different coupons in the first year.

Almost a third of the deal went to non-Italian investors, including retail buyers. The franc-denominated bonds were sold almost exclusively to institutions.

Société Générale, joint lead manager of the French tranche, said demand was bolstered by the timing, with a large issue by Crédit Local maturing next month.

GENERAL MOTORS ACCEPTANCE CORP offered investors some pick-up to last week's $1bn issue by Ford, with a two-tranche global offering maturing in five and 10 years.

The deal was GMAC's first global dollar bond in 11 months. Morgan Stanley, joint lead manager with Bear Stearns, said the five-year tranche had been priced at the tighter end of its prospective range at a spread of 68 basis points over Treasuries.

This, and the fact that it was increased by $250m to $1.25bn, reflected the strength of its order book. The offering, nevertheless, was priced wider than the Ford deal, which came at 59 basis points over Treasuries but has since widened to the mid-60s.

Conversely, the 10-year offering was priced at the wider end of the initial range at a spread of 83 basis points over Treasuries, even after its size was reduced. The 10-year dollar sector has seen large amounts of supply recently due to favourable swap opportunities.

HJ HEINZ, the US food manufacturer, came to the market for the first time in almost three years with a $250m five-year offering.

Lead manager Goldman Sachs said the A+ rated deal was targeted primarily at European retail investors although there was some institutional demand. It replaces a three-year Heinz bond which was redeemed earlier this month.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
GMA-1(a)	1.25bn	5.875#	99.885R	Jan 2003	0.35	+68(5⅝%Dec02)	Bear Stearns/M Stanley
GMA-2(a)	750	6.125#	99.178R	Jan 2008	0.50	+83(6⅛%Aug07)	Bear Stearns/M Stanley
Deutsche Bank Lux-A(s)	340	6.825#	100.00R	Dec 2007	0.875R	-	Deutsche Morgan G'fell
Deutsche Bank Lux-B‡	375	(b)#	99.27R	Dec 2007	0.875R	-	Deutsche Morgan G'fell
HJ Heinz	250	5.75	99.451R	Feb 2003	0.30R	+46(5⅝%Dec02)	Goldman Sachs Intl
D-MARKS							
Helaba Intl Finance	1bn	5.50	99.42R	Feb 2013	0.40R	+47(5¼Jan08)	ABN Amro HG/SocGen
CAF	200	5.375	99.55R	Jan 2003	0.350R	+84(7½Jan03)	DKB/Lehman Brothers
FRENCH FRANCS							
Crédit Local de France	3bn	5.25(l)	99.368R	Apr 2008	0.375R	+25(5¼Apr08)	Paribas/SocGen
RZB	1bn	5.375(s)	99.444R	Jul 2008	0.375R	+33(i)	CAI/Merrill Lynch
ITALIAN LIRE							
European Investment Bank‡	500bn	(c)	99.50R	Feb 2013	0.89R	-	BCI/Cariplo/MPS
Crédit Local de France(d)‡	300bn	(d1,s)	99.90R	Apr 2008	0.10R	-	BNP/Caboto
Ford Credit Canada	300bn	5.25(e)	101.575	Feb 2003	1.875	-	Cariplo/Deutsche MG
Goldman Sachs Group	200bn	6.00(f)	99.50R	Feb 2008	0.55R	-	Cariplo/Credito Italiano
LUXEMBOURG FRANCS							
BIL	2bn	5.625	102.70	Mar 2008	2.00	-	BIL
SWEDISH KRONOR							
Municipal Housing Finance	500	5.50	101.445	Mar 2003	1.875	-	Svenska HB
ESCUDOS							
Banco Bradesco‡	18.5bn	(g)	100.00	Feb 2001	0.50	-	BPI

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) General Motors Acceptance. 2 tranche. b) 12-mth Libor +80bp. c) 13% in year 1. 6½% in yrs 2-3, then 15% −2 x 12-mth Libor with 6½% cap and 2½% floor from yr 9. d) Fungible with FFr3bn from 25/4/99. d1) 6¾% in yr 1, then 5¼% when there is a short coupon to 25/4/99. e) Long last coupon. f) Goldman has right to exchange coupon with 6-mth Libor +30bp from 18/2/00 annually. g) 6-mth Lisbor +341bp. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 14	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.8500	5.16	+0.07	+0.01	−0.24	−1.11
	10/07	10.000	131.2458	5.72	+0.06	+0.01	−0.36	−1.79
Austria	09/99	7.000	104.5000	4.14	−0.02	−0.21	−0.32	+0.46
	07/07	5.625	103.4300	5.15	-	−0.11	−0.21	−0.63
Belgium	01/00	4.000	99.8900	4.08	+0.02	−0.18	−0.34	+0.56
	03/07	6.250	107.9300	5.14	+0.01	−0.14	−0.28	−0.68
Canada	09/99	4.750	100.0500	4.71	−0.03	−0.23	−0.34	+0.63
	06/07	7.250	114.5000	5.25	-	−0.16	−0.42	−1.37 *
Denmark	12/99	6.000	103.1200	4.24	+0.04	−0.16	−0.32	+0.42
	11/07	7.000	112.1100	5.38	+0.04	−0.09	−0.30	−1.07
Finland	01/99	11.000	106.8189	3.74	−0.01	−0.19	−0.38	+0.19
	04/06	7.250	113.8650	5.14	+0.01	−0.12	−0.30	−0.97
France	01/00	4.000	100.0400	3.96	-	−0.20	−0.33	+0.68
	10/04	6.750	111.3600	4.74	-	−0.17	−0.28	−0.29
	10/07	5.500	103.3200	5.06	-	−0.13	−0.22	−0.56
	10/25	6.000	105.3800	5.61	-	−0.12	−0.22	−1.01
Germany	09/99	4.000	100.1700	3.88	-	−0.18	−0.26	+0.58
	11/04	7.500	115.3300	4.80	−0.01	−0.19	−0.33	−0.48
	07/07	6.000	106.8300	5.05	−0.01	−0.14	−0.24	−0.88
	07/27	6.500	112.4100	5.62	−0.01	−0.12	−0.23	−1.02
Ireland	04/99	6.250	101.8700	4.61	−0.06	−0.22	−0.47	−1.33
	08/06	8.000	118.2000	5.30	−0.02	−0.11	−0.29	−1.38
Italy	05/00	6.000	102.8200	4.70	+0.02	−0.07	−0.25	−1.51
	05/02	6.250	105.0500	4.93	+0.01	−0.11	−0.29	−1.58
	07/07	6.750	110.1600	5.36	+0.02	−0.08	−0.30	−2.04
	11/26	7.250	119.2500	5.86	+0.03	−0.06	−0.29	−2.08
Japan	03/00	6.400	112.4800	0.58	-	−0.05	−0.01	−0.12
	12/02	4.800	117.0300	1.22	+0.01	−0.01	+0.06	−0.55
	09/05	3.000	109.5500	1.67	+0.01	+0.03	−0.01	−0.77
	09/17	3.000	107.8000	2.50	+0.01	+0.01	−0.02	−0.78
Netherlands	11/99	7.500	105.9600	4.03	-	−0.14	−0.31	+0.73
	02/07	5.750	105.2200	5.02	-	−0.13	−0.23	−0.58
New Zealand	02/00	6.500	98.3598	7.38	−0.19	−0.28	+0.11	+0.43
	11/06	8.000	108.9616	6.62	−0.08	−0.17	−0.30	−0.75
Norway	01/99	9.000	104.6900	4.26	-	−0.04	−0.13	+0.38
	01/07	6.750	110.1400	5.30	-	−0.09	−0.16	−0.69
Portugal	03/99	8.500	104.4598	4.50	+0.03	−0.07	−0.29	−1.00
	02/07	6.625	108.8391	5.37	-	−0.12	−0.27	−1.31
Spain	07/99	7.400	104.2062	4.46	-	-	−0.14	−0.77
	03/07	7.350	114.5134	5.31	+0.01	−0.11	−0.26	−1.40
Sweden	01/99	11.000	105.8264	4.82	−0.02	−0.16	−0.24	+0.49
	08/07	8.000	117.6070	5.57	−0.01	−0.15	−0.39	−1.11
Switzerland	03/00	5.000	106.8500	1.67	+0.03	−0.14	−0.32	−0.24
	06/07	4.500	111.2700	3.10	−0.01	−0.08	−0.22	−0.66
UK	08/99	6.000	99.0156	6.67	+0.15	+0.02	−0.18	+0.10
	11/04	6.750	103.1719	6.17	+0.08	−0.04	−0.23	−1.15
	12/07	7.250	108.9609	6.03	+0.05	−0.07	−0.23	−1.50
	06/21	8.000	125.0391	5.99	+0.03	−0.08	−0.21	−1.72
US	10/99	5.625	100.5550	5.29	+0.01	−0.14	−0.40	−0.67
	11/04	7.875	114.0080	5.40	-	−0.13	−0.41	−0.89
	08/07	6.125	105.2660	5.41	-	−0.12	−0.38	−1.10
	08/27	6.375	108.7970	5.75	-	−0.11	−0.27	−1.02
ECU	01/00	4.000	99.3800	4.33	+0.02	−0.17	−0.34	+0.29
	04/07	5.500	102.3600	5.17	-	−0.13	−0.23	−0.99

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jan 14	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.72	−0.67	+0.31
Austria	5.15	+0.10	−0.26
Belgium	5.14	+0.09	−0.27
Canada	5.25	+0.20	−0.16
Denmark	5.38	+0.33	−0.03
Finland	5.11	+0.06	−0.30
France	5.06	+0.01	−0.35
Germany	5.05	-	−0.36
Ireland	5.30	+0.25	−0.11
Italy	5.36	+0.31	−0.05
Japan	1.67	−3.38	−3.74
Netherlands	5.01	−0.04	−0.40
New Zealand	6.62	+1.57	+1.21
Norway	5.30	+0.25	−0.11
Portugal	5.37	+0.32	−0.04
Spain	5.31	+0.26	−0.10
Sweden	5.57	+0.52	+0.16
Switzerland	3.10	−1.95	−2.31
UK	6.03	+0.98	+0.62
US	5.41	+0.36	-
ECU	5.17	+0.12	−0.24

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Jan 14	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	98.0000	8.15	+0.21	−0.54	+2.90
Poland	07/04	7.125	BBB−	103.3750	6.48	+0.12	−0.77	+1.18
Russia	06/07	10.000	BB−	90.4000	11.70	−0.37	+1.16	+6.32
LATIN AMERICA								
Argentina	09/27	9.750	BB	94.5000	10.34	−0.06	+0.31	+4.64
Brazil	05/27	10.125	BB−	91.5000	11.11	−0.06	+0.42	+5.41
Mexico	05/26	11.500	BB	118.0000	9.62	−0.04	−0.30	+3.94
ASIA								
China	07/06	7.750	BBB+	104.0000	7.09	-	+0.19	+1.73
Philippines	10/16	8.750	BB+	85.5500	10.53	+0.31	+0.63	+5.00
Thailand	04/07	7.750	A−	81.0000	11.13	−0.07	+1.88	+6.75
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	102.7500	7.84	+0.01	+0.09	+2.61
South Africa	10/06	8.375	BB+	100.1250	8.34	+0.81	+0.37	+2.98
Turkey	09/07	10.000	B	101.5000	9.74	−0.13	−0.44	+4.36
BRADY BONDS								
Argentina	03/23	5.500	BB	74.0000	8.48	−0.03	−0.37	+2.84
Brazil	04/14	4.500	BB−	76.7500	10.24	−0.05	−0.47	+4.74
Mexico	12/19	6.250	BB	84.5000	7.73	−0.03	−0.31	+2.15
Venezuela	03/20	6.750	B+	86.8800	8.13	−0.06	−0.10	+2.54

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.68	103.12	+0.10	103.12	102.56	131,055	135,695
Jun	102.00	102.44	+0.10	102.00	102.00	252	2,313
Sep	101.76	102.20	+0.10	101.76	101.76	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
97	4.94	4.94	4.34	-	0.02	0.16
98	3.94	3.97	3.49	0.01	0.05	0.29
99	2.95	3.04	2.71	0.02	0.12	0.50
100	2.00	2.15	2.03	0.06	0.22	0.81
101	1.13	1.37	1.46	0.19	0.43	1.22

Est. vol. total, Calls 29,531 Puts 15,520. Previous day's open int., Calls 68,078 Puts 102,497.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106.23	106.43	−0.07	106.55	106.01	232269	257756
Jun	105.50	105.85	−0.06	105.82	105.45	586	3182

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10600	0.63	0.96	0.90	1.24	0.20	0.53	1.05	1.39
10650	0.33	0.68	0.68	1.00	0.40	0.75	1.33	1.65
10700	0.14	0.45	0.50	0.79	0.71	1.02	1.65	1.94

Est. vol. total, Calls 23000 Puts 31144. Previous day's open int., Calls 194885 Puts 244388

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105.05	105.17	+0.02	105.21	104.90	165,986	204,835
Jul	104.66	104.76	−0.04	104.66	104.66	50	550

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.93	105.14	−0.05	105.17	104.92	5,254	37,400
Jun	-	104.73	−0.01	-	-	-	-

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	117.25	117.47	−0.11	117.56	117.13	62754	124771
Jun	116.70	116.91	−0.09	116.93	116.60	2732	10964

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11700	1.04	1.40	0.57	1.49
11750	0.75	1.17	0.78	1.76
11800	0.51	0.97	1.04	2.06

Est. vol. total, Calls 3193 Puts 8112. Previous day's open int., Calls 58245 Puts 61550

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	107.40	107.67	−0.04	107.74	107.23	99,192	106,918

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	123-20	123-22	−0-12	123-26	123-02	96402	188169
Jun	107-15	107-20	−0-11	107-15	107-05	677	1924

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls Jun	Puts Mar	Puts Apr	Puts Jun
123	0-63	1-32	0	0-19	0-52	15-24
124	0-27	0-63	0	0-47	1-19	16-24
125	0-07	0-41	0	1-27	1-61	17-24

Est. vol. total, Calls 2003 Puts 3533. Previous day's open int., Calls 73581 Puts 32498

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.16	102.32	+0.12	102.30	101.84	1,278	5,543

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	123-16	123-02	−0-15	123-16	122-27	367,254	701,955
Jun	122-15	122-01	−0-15	122-26	122-15	6,721	38,994
Sep	122-13	122-13	−0-14	122-13	122-13	1,725	10,358

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	130.26			130.33	130.24	1046	n/a
Jun	129.67			129.68	129.67	317	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Jan 13	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	105.7465	5.76	+0.03	−0.41	+0.50
NY Tel	08/25	7.00	A+	101.4802	6.87	-	−0.21	+1.17
CWE	05/08	8.00	BBB	111.9049	6.40	+0.02	−0.33	+1.00
FINANCIALS								
GECC	05/07	8.75	AAA	119.6904	5.96	+0.02	−0.36	+0.56
Banc One	08/02	7.25	A+	105.7275	5.79	+0.04	−0.44	+0.53
US West	01/07	7.30	BBB+	105.8731	6.43	+0.03	−0.36	+1.03
INDUSTRIALS								
WMX Tech	04/99	6.25	A−	100.2800	5.99	+0.04	−0.38	+1.01
Wal Mart	05/02	6.75	AA	103.9664	5.70	+0.05	−0.43	+0.44
Dayton Hud	06/21	9.70	BBB+	133.5033	6.81	+0.01	−0.24	+1.11
AGENCIES								
FHLMC	04/07	7.14	N/A	110.0994	5.71	+0.03	−0.36	+0.31
SLMA	03/00	7.50	N/A	104.1824	5.40	+0.03	−0.40	+0.17
FNMA	02/18	8.95	N/A	133.7680	6.02	-	−0.33	+0.32
FFCB	06/05	8.95	N/A	121.3673	5.70	+0.01	−0.36	+0.30
HIGH YIELD								
Stone Cont	02/01	9.88	B	100.3750	0.00	-	-	-
AK Stl	12/01	9.13	BB−	104.1250	0.00	-	-	-
Pacalta	06/04	10.75	B−	99.0000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.27
Broker loan rate	7¼	Two month	-	Three year	5.27
Fed.funds	5⅜	Three month	5.18	Five year	5.31
Fed.funds at intervention	-	Six month	5.17	10-year	5.44
		One year	5.17	30-year	5.73

INTERNATIONAL BONDS

Jan 14	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	104.5700	5.11	+0.01	−0.24	+0.14
Spain	01/07	5.750	AA	103.8900	5.16	−0.01	−0.25	+0.22
Philip Morris	03/04	5.375	A	100.8800	5.20	+0.14	−0.26	+0.56
Finland FRN	09/02	3.820	AA	100.7255	4.03	-	−0.36	−0.22
EURO FFR								
Austria	01/04	5.500	AAA	103.7300	4.77	−0.01	−0.27	+0.17
Abbey Nat	02/04	6.000	AA	105.7900	4.87	−0.01	−0.30	+0.27
Cred Foncier	02/04	9.125	A	120.1000	5.19	-	−0.27	+0.59
3CIF FRN	12/01	3.750	AA−	99.8654	4.20	-	−0.33	+0.04
EURO LIRA								
EIB	02/07	7.000	AAA	111.6000	5.35	-	−0.23	+0.06
Abbey Nat	02/02	6.800	AA	106.3000	5.05	+0.02	−0.32	+0.21
Walt Disney	06/00	8.625	A	107.6000	5.10	+0.03	−0.17	+0.45
EIB FRN	03/01	5.825	AAA	100.2090	4.61	-	−0.24	−0.09
EURO £								
EIB	12/07	7.625	AAA	108.4263	6.31	+0.06	−0.24	+0.22
Dresdner Bk	12/07	7.750	AA−	106.5060	6.82	+0.06	−0.20	+0.73
British Gas	03/00	7.625	A+	100.9252	7.13	+0.12	−0.24	+0.46
Abbey Nat FRN	02/02	7.830	AA	99.9954	6.31	+0.11	−0.19	−0.14
EURO $								
EIB	04/07	7.250	AAA	110.1200	5.80	-	−0.32	+0.42
ABN Amro	06/07	7.125	AA−	106.2949	6.23	−0.03	−0.28	+0.85
Quebec	01/07	7.000	A+	105.3247	6.22	+0.04	−0.22	+0.84
Citicorp FRN	02/04	5.938	A+	99.1250	6.11	−0.04	+0.10	+0.81
EURO C$								
Bayer L-Bk	09/04	9.500	AAA	120.5122	5.66	+0.02	−0.34	+0.27
Toronto	05/04	8.500	AA+	115.4440	5.54	−0.01	−0.31	+0.15
Bell Canada	07/99	10.625	A+	107.1432	5.45	+0.02	−0.08	+1.06
Deutsche B FRN	09/02	5.875	AAA	101.1902	5.58	+0.02	+0.10	+0.28
EURO YEN								
World Bank	03/02	5.250	AAA	117.0000	1.07	-	−0.01	+0.19
Spain	03/02	5.750	AA	118.8500	1.11	+0.03	−0.01	+0.23
Cred Foncier	08/02	4.750	A	113.8194	1.58	-	+0.01	+0.70
Italy FRN	07/99	0.594	AA	100.3243	0.33	-	-	−0.10

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Jan 14	Day's change %	Tue Jan 13	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.20	−0.25	120.50	2.17	0.61
2 5-15 years (21)	161.06	−0.38	161.69	1.82	[illegible]
3 Over 15 years (4)	198.03	−0.39	198.81	2.39	0.00
4 Irredeemables (4)	245.97	−0.43	247.04	2.75	0.00
5 All stocks (48)	153.70	−0.34	154.23	2.12	0.56

UK Indices

	Low coupon yield Jan 14	Jan 13	Yr. ago	Medium coupon yield Jan 14	Jan 13	Yr. ago	High coupon yield Jan 14	Jan 13	Yr. ago
5 yrs	6.25	6.14	7.19	6.33	6.23	7.24	6.38	6.27	7.29
15 yrs	6.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 yrs	6.02	5.96	7.75	6.02	5.96	7.71	6.14	6.11	7.66
Irred.†	6.14	6.11	7.79						

Index-linked

[illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Camdessus soothes some Asian fears

MARKETS REPORT

By Simon Kuper

Most south east Asian currencies rose yesterday after Western officials again praised their economies.

Michel Camdessus, managing director of the International Monetary Fund, said the Indonesian rupiah's fall in the last few months was overdone in "extraordinary proportions". He was hopeful of a very solid deal between the IMF and Indonesia. The country has promised economic reforms in exchange for a $43bn rescue package arranged by the fund. His comment that Indonesia needed to accelerate overdue reforms failed to damage sentiment.

Larry Summers, the US deputy treasury secretary who is visiting Thailand, said of the Asian crisis: "We will be very much engaged in responding to whatever challenges that may arise in the future. There is no question this is a priority for the US." He also praised the measures Thailand had taken to deal with its financial crisis.

The country did its own bit for sentiment, releasing data showing that it had recorded current account surpluses in the last four months of 1997, thanks to the baht's plunge. The baht yesterday soared from an off-shore rate of 53.50/54.00 against the dollar to 50.50. The rupiah jumped from 8,300 to 7,300/7,600 against the dollar. The Malaysian ringgit rose from M$4.5903 to M$4.29, and the Korean won from 1,764 to 1,660. But volumes were small, with few major banks willing to bet that the crisis was easing.

■ Pound in New York

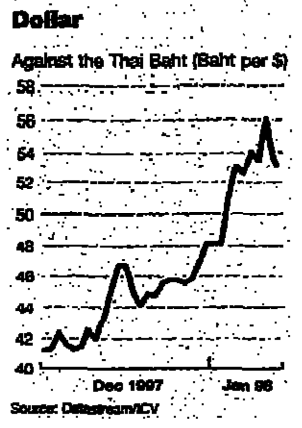
Jan 14	—Latest—	— Prev. close —
£ spot	1.6315	1.6335
1 mth	1.6290	1.6310
3 mth	1.6168	1.6265
1 yr	1.6031	1.6070

In late US trading the yen was at Y131.0 against the dollar, Y0.6 above Tuesday's London close. The dollar was almost unchanged against the D-Mark at DM1.823.

■ Hans-Jürgen Krupp, Bundesbank council member, briefly helped the dollar when he said of Germany: "There are no discernible price pressures." The economy was weak, and would not change fundamentally soon. Other Bundesbankers have also been playing down the need for rate rises.

■ The UK money market keeps itself busy. On Monday, soft industrial production data had persuaded it that base rates would fall in the spring. On Tuesday, a strong retail sales survey and unsurprising inflation numbers convinced it that that was wrong. And yesterday, a sharp rise in November average earnings and December jobs figures, together with some hawkish Bank of England minutes, moved it to put all thoughts of an imminent rate cut out of its head. This market does not take the long view.

Short sterling futures contracts sank for the second day running. The June 1999 contract, down 10 basis points on Tuesday, lost another 12 yesterday, and now prices in interbank rates of nearly 6.75 per cent.



The March 1998 contract fell 15 basis points to price in interbank rates of about 7.50 per cent. But as Philip Shaw, chief economist at Investec in London points out, this implies base rates remaining at their current level of 7.25 per cent, since the interbank rate is typically 20 to 25 basis points above the expected base rate. In other words, he says, short sterling futures contracts may have even further to fall, as many in the City expect one more base rate increase.

The pound barely reacted to yesterday's economic data, closing in London at DM2.972 to the D-Mark and $1.631 to the dollar.

■ OTHER CURRENCIES

Jan 14	£	$
Czech Rp	58.2196 - 58.3135	35.7110 - 35.7510
Hungary	336.580 - 336.920	206.520 - 206.560
Iran	4893.30 - 4890.90	3000.00 - 3000.00
Kuwait	0.4990 - 0.4996	0.3061 - 0.3063
Poland	5.7672 - 5.7782	3.5375 - 3.5425
Russia	9.7940 - 9.8005	6.0075 - 6.0085
U.A.E.	5.9679 - 5.9010	3.6729 - 3.6730

■ One reason for the run on Asian currencies last year was the region's large current account deficits. But these are now vanishing. Thailand has just joined some of its neighbours in reporting that monthly accounts are in surplus.

Yet economic theory holds that for months after a devaluation the trade balance should worsen, as importers and exporters remain tied to old contracts. Desmond Lachman, head of emerging market research at Salomon Brothers in New York, says this effect is outweighed in Asia by the sheer collapse in domestic demand. Only later will exports rise, improving current accounts even further. Mexico too moved into surplus almost immediately after the 1995 peso crisis, he notes. Thailand's current account deficit before devaluation was worth 8 per cent of GDP. Mr Lachman expects a surplus for 1998.

POUND SPOT FORWARD AGAINST THE POUND

Jan 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.9098	-0.0108	014 - 182	20.9963	20.8812	20.8418	3.9	20.7203	3.6	20.222	3.3	102.5
Belgium	(BFr)	61.3796	+0.0252	319 - 272	61.5500	60.9240	61.1667	4.2	60.7881	3.9	59.2578	3.5	101.8
Denmark	(DKr)	11.3291	+0.0036	247 - 335	11.3689	11.3051	11.2936	3.8	11.2302	3.5	10.9779	3.1	104.3
Finland	(FM)	8.9926	-0.0158	843 - 009	9.0350	8.9840	8.9609	4.2	8.9058	3.8	8.6886	3.4	80.7
France	(FFr)	9.9507	-0.0075	473 - 540	9.9961	9.9403	9.9174	4.0	9.8573	3.8	9.6078	3.4	105.2
Germany	(DM)	2.9724	-0.0015	712 - 735	2.9880	2.9679	2.9623	4.1	2.9442	3.8	2.8701	3.4	102.9
Greece	(Dr)	468.582	-0.601	320 - 843	470.709	468.283	472.827	-10.9	480.842	-10.5	507.056	-8.2	65.3
Ireland	(I£)	1.1882	-0.0006	870 - 893	1.1900	1.1841	1.187	1.2	1.1834	1.6	1.1577	2.6	93.0
Italy	(L)	2925.78	+0.9	373 - 782	2938.87	2920.30	2922.82	1.2	2915.6	1.4	2862.25	2.2	75.5
Luxembourg	(LFr)	61.3796	+0.0252	319 - 272	61.5500	60.9240	61.1667	4.2	60.7881	3.9	59.2578	3.5	101.8
Netherlands	(Fl)	3.3511	+0.0003	496 - 526	3.3635	3.3448	3.3394	4.2	3.3186	3.9	3.2349	3.5	101.1
Norway	(NKr)	12.2788	-0.0318	753 - 823	12.3298	12.2669	12.2385	3.9	12.1668	3.6	11.9069	3.0	97.3
Portugal	(Es)	304.077	-0.009	921 - 233	304.963	302.083	303.435	2.5	302.057	2.7	295.419	2.8	91.4
Spain	(Pta)	252.098	+0.141	996 - 201	252.980	251.560	251.539	2.7	250.425	2.7	244.876	2.9	76.5
Sweden	(SKr)	13.0874	-0.0171	801 - 946	13.1335	13.0597	13.056	2.9	12.9997	2.7	12.787	2.3	84.7
Switzerland	(SFr)	2.4177	+0.0043	163 - 191	2.4253	2.4112	2.4047	6.4	2.3819	5.9	2.285	5.5	107.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.8
Ecu	-	1.5049	+0.0004	037 - 061	1.5099	1.5024	1.5008	3.2	1.4933	3.1	1.461	2.9	-
SDR†	-	1.220881	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6304	-0.0022	300 - 308	1.6337	1.6254	-	-	-	-	-	-	-
Brazil	(R$)	1.8235	-0.0022	228 - 241	1.8288	1.8177	-	-	-	-	-	-	-
Canada	(C$)	2.3381	-0.0033	370 - 392	2.3415	2.3273	2.3319	3.2	2.3217	2.8	2.2822	2.4	82.5
Mexico	(New Peso)	13.3106	-0.0086	032 - 179	13.3661	13.2332	13.4514	-12.7	13.7188	-12.3	14.8135	-11.3	-
USA	($)	1.6307	-0.0022	303 - 311	1.6340	1.6257	1.6282	1.8	1.6234	1.8	1.6028	1.7	110.2
Pacific/Middle East/Africa													
Australia	(A$)	2.5198	-0.0077	182 - 214	2.5216	2.4935	2.5147	2.4	2.5046	2.4	2.4627	2.3	85.2
Hong Kong	(HK$)	12.6298	-0.0216	250 - 345	12.6571	12.5902	12.7081	-7.4	12.8411	-6.7	13.391	-6.0	-
India	(Rs)	65.5052	+0.379	565 - 539	65.6180	65.2190	-	-	-	-	-	-	-
Israel	(Shk)	5.8418	+0.0139	345 - 491	5.8672	5.8089	-	-	-	-	-	-	-
Japan	(Y)	214.519	-0.748	385 - 653	214.930	212.890	213.259	7.0	210.859	6.8	200.399	6.6	118.3
Malaysia	(M$)	7.0569	-0.4383	429 - 708	7.4901	6.8564	7.042	2.5	7.0472	0.5	7.2084	-2.1	-
New Zealand	(NZ$)	2.8308	-0.0201	284 - 332	2.8424	2.8055	2.8343	-1.5	2.8393	-1.2	2.8537	-0.8	102.3
Philippines	(Peso)	69.3456	-1.765	062 - 849	69.7425	68.7914	70.1703	-14.3	71.5806	-12.9	78.9677	-13.9	-
Saudi Arabia	(SR)	6.1171	-0.0082	153 - 189	6.1291	6.0966	6.1105	1.3	6.097	1.3	6.0411	1.2	-
Singapore	(S$)	2.8366	-0.0536	335 - 397	2.8809	2.8212	2.8485	-5.1	2.8531	-2.3	2.9082	-2.5	-
South Africa	(R)	8.0638	-0.0613	594 - 682	8.1128	8.0398	8.1231	-8.8	8.2188	-7.7	8.5968	-6.6	-
South Korea	(Won)	2706.96	-173.4	630 - 763	2880.74	2696.66	-	-	-	-	-	-	-
Taiwan	(T$)	55.6012	-0.5558	818 - 205	56.8081	55.4364	55.5335	1.5	55.4049	1.4	54.8285	1.4	-
Thailand	(Bt)	86.5903	-4.4	429 - 376	88.2040	82.2140	87.2712	-9.4	88.7188	-9.8	96.1654	-11.1	-

† Rates for Jan 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8226	+0.0103	206 - 246	12.8680	12.7794	12.8006	2.1	12.7636	1.8	12.6171	1.6	102.2
Belgium	(BFr)	37.6400	+0.065	200 - 600	37.7170	37.4320	37.5673	2.3	37.445	2.1	36.9725	1.8	101.9
Denmark	(DKr)	6.9474	+0.0114	464 - 484	6.9681	6.9244	6.9364	1.9	6.9177	1.7	6.8494	1.4	103.7
Finland	(FM)	5.5146	-0.0023	108 - 183	5.5406	5.5046	5.5036	2.4	5.4859	2.1	5.4211	1.7	80.1
France	(FFr)	6.1021	+0.0034	015 - 026	6.1275	6.0844	6.0911	2.2	6.072	2.0	5.9946	1.8	104.6
Germany	(DM)	1.8228	+0.0015	225 - 230	1.8300	1.8170	1.8194	2.2	1.8136	2.0	1.7908	1.8	102.6
Greece	(Dr)	287.350	+0.01	260 - 440	288.710	286.650	290.4	-12.7	296.195	-12.3	316.365	-10.1	65.1
Ireland	(I£)	1.3725	-0.0011	715 - 735	1.3770	1.3708	1.3718	0.6	1.3719	0.2	1.3845	-0.9	-
Italy	(L)	1794.19	+2.91	337 - 500	1799.95	1790.50	1795.13	-0.6	1795.99	-0.4	1785.84	0.5	75.3
Luxembourg	(LFr)	37.6400	+0.065	200 - 600	37.7170	37.4320	37.5673	2.3	37.445	2.1	36.9725	1.8	101.3
Netherlands	(Fl)	2.0550	+0.0029	546 - 554	2.0617	2.0472	2.0509	2.4	2.0442	2.1	2.0184	1.8	101.1
Norway	(NKr)	7.5298	-0.0095	295 - 301	7.5657	7.5083	7.5166	2.1	7.4947	1.9	7.4303	1.3	96.4
Portugal	(Es)	186.470	+0.24	420 - 520	186.900	185.600	186.363	0.7	186.065	0.9	184.32	1.2	92.0
Spain	(Pta)	154.595	+0.29	570 - 620	154.960	154.030	154.49	0.8	154.26	0.9	152.785	1.2	76.2
Sweden	(SKr)	8.0256	-	231 - 281	8.0581	8.0116	8.0187	1.0	8.0077	0.9	7.9781	0.6	84.5
Switzerland	(SFr)	1.4826	+0.0046	821 - 831	1.4877	1.4760	1.4769	4.6	1.4672	4.1	1.4256	3.8	107.5
UK	(£)	1.6307	-0.0022	303 - 311	1.6340	1.6257	1.6282	1.8	1.6234	1.8	1.6028	1.7	104.7
Ecu	-	1.0836	-0.0018	830 - 842	1.0872	1.0810	1.0848	-1.4	1.0871	-1.3	1.097	-1.2	-
SDR†	-	0.74722	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.1182	+0.0001	181 - 183	1.1184	1.1180	-	-	-	-	-	-	-
Canada	(C$)	1.4338	-0.0002	335 - 341	1.4342	1.4293	1.4322	1.3	1.4302	1.0	1.424	0.7	82.5
Mexico	(New Peso)	8.1625	+0.0055	600 - 650	8.1660	8.1560	8.2615	-14.6	8.4505	-14.1	9.2425	-13.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	111.0
Pacific/Middle East/Africa													
Australia	(A$)	1.5452	-0.0027	446 - 458	1.5460	1.5426	1.5444	0.6	1.5418	0.9	1.5311	0.9	85.7
Hong Kong	(HK$)	7.7450	-0.003	440 - 460	7.7480	7.7400	7.805	-9.3	7.91	-8.5	8.355	-7.9	-
India	(Rs)	40.1700	+0.285	500 - 900	40.2400	39.9800	-	-	-	-	-	-	-
Israel	(Shk)	3.5824	+0.0133	788 - 860	3.5986	3.5618	-	-	-	-	-	-	-
Japan	(Y)	131.550	-0.285	500 - 600	131.700	130.350	130.98	5.2	129.885	5.1	125.035	5.0	119.4
Malaysia	(M$)	4.3275	-0.2628	200 - 350	4.5850	4.2100	4.325	0.7	4.341	-1.2	4.4975	-3.9	-
New Zealand	(NZ$)	1.7360	-0.01	349 - 370	1.7375	1.7345	1.7391	-2.1	1.7445	-2.0	1.7633	-1.6	-
Philippines	(Peso)	42.5250	-1.025	500 - 000	42.9000	42.1000	43.097	-16.1	44.093	-14.7	49.2695	-15.9	-
Saudi Arabia	(SR)	3.7512	-0.0001	510 - 514	3.7525	3.7505	3.7529	-0.6	3.7557	-0.5	3.7692	-0.5	-
Singapore	(S$)	1.7395	-0.0305	380 - 410	1.7635	1.7320	1.7495	-6.9	1.7575	-4.1	1.8145	-4.3	-
South Africa	(R)	4.9450	-0.031	435 - 465	4.9685	4.9350	4.989	-10.7	5.0628	-9.5	5.3638	-8.5	-
South Korea	(Won)	1660.00	-104	000 - 000	1740.00	1650.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.0965	-0.2955	930 - 000	34.9030	33.9690	34.1075	-0.4	34.129	-0.4	34.209	-0.3	-
Thailand	(Bt)	53.1000	-2.625	000 - 000	54.0000	50.5000	53.6	-11.3	54.65	-11.7	60	-13.0	-

† SDR rate per $ for Jan 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 13: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

January 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$3\frac{7}{16}$	$3\frac{7}{16}$	$3\frac{1}{2}$	$3\frac{9}{16}$	$3\frac{5}{8}$	6.00	2.75	-
France	$3\frac{1}{4}$	$3\frac{5}{8}$	$3\frac{1}{2}$	$3\frac{21}{32}$	$3\frac{11}{16}$	4.60	-	3.30
Germany	$3\frac{7}{16}$	$3\frac{7}{16}$	$3\frac{1}{2}$	$3\frac{9}{16}$	$3\frac{3}{4}$	4.50	2.50	3.30
Ireland	$5\frac{27}{32}$	$6\frac{1}{4}$	$5\frac{3}{4}$	$5\frac{5}{8}$	$4\frac{3}{4}$	-	-	6.75
Italy	$6\frac{3}{4}$	$6\frac{3}{8}$	$5\frac{15}{16}$	$5\frac{3}{4}$	$5\frac{3}{8}$	7.00	5.50	6.23
Netherlands	$3\frac{3}{8}$	$3\frac{15}{32}$	$3\frac{15}{32}$	$3\frac{9}{16}$	$3\frac{21}{32}$	-	2.75	3.30
Switzerland	$1\frac{3}{4}$	$1\frac{1}{2}$	$1\frac{5}{8}$	$1\frac{7}{16}$	$1\frac{17}{32}$	-	1.00	-
US	$5\frac{5}{8}$	$5\frac{17}{32}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{23}{32}$	-	5.00	-
Japan	$\frac{1}{2}$	$\frac{15}{32}$	$\frac{7}{16}$	$\frac{7}{16}$	$\frac{9}{16}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{21}{32}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{23}{32}$	-	-	-
US Dollar CDs	-	5.39	5.40	5.43	5.46	-	-	-
ECU Linked Ds	-	$4\frac{1}{4}$	$4\frac{5}{16}$	$4\frac{11}{32}$	$4\frac{13}{32}$	-	-	-
SDR Linked Ds	-	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{9}{16}$	$4\frac{1}{8}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{7}{16}$ - $3\frac{1}{4}$	$3\frac{17}{32}$ - $3\frac{13}{32}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{9}{16}$ - $3\frac{7}{16}$	$3\frac{5}{8}$ - $3\frac{17}{32}$	$3\frac{27}{32}$ - $3\frac{23}{32}$
Danish Krone	$3\frac{19}{32}$ - $3\frac{1}{2}$	$3\frac{19}{32}$ - $3\frac{3}{4}$	$3\frac{7}{8}$ - $3\frac{3}{4}$	$3\frac{15}{16}$ - $3\frac{13}{16}$	4 - $3\frac{27}{32}$	$4\frac{3}{32}$ - 4
German Mark	$3\frac{7}{16}$ - $3\frac{5}{16}$	$3\frac{7}{16}$ - $3\frac{3}{8}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{9}{16}$ - $3\frac{7}{16}$	$3\frac{21}{32}$ - $3\frac{17}{32}$	$4\frac{3}{16}$ - $3\frac{27}{32}$
Dutch Guilder	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{17}{32}$ - $3\frac{13}{32}$	$3\frac{5}{8}$ - $3\frac{17}{32}$	$3\frac{23}{32}$ - $3\frac{5}{8}$	$3\frac{29}{32}$ - $3\frac{25}{32}$
French Franc	$3\frac{7}{16}$ - $3\frac{5}{16}$	$3\frac{5}{8}$ - $3\frac{15}{32}$	$3\frac{27}{32}$ - $3\frac{11}{16}$	$4\frac{3}{32}$ - 4	$3\frac{31}{32}$ - $3\frac{7}{8}$	$3\frac{27}{32}$ - $3\frac{25}{32}$
Portuguese Esc.	$4\frac{31}{32}$ - $4\frac{27}{32}$	5 - $4\frac{15}{16}$	5 - $4\frac{15}{16}$	$4\frac{25}{32}$ - $4\frac{21}{32}$	$4\frac{5}{8}$ - $4\frac{1}{2}$	$4\frac{1}{2}$ - $4\frac{13}{32}$
Spanish Peseta	$4\frac{23}{32}$ - $4\frac{11}{16}$	$4\frac{23}{32}$ - $4\frac{11}{16}$	$4\frac{3}{4}$ - $4\frac{21}{32}$	$4\frac{11}{16}$ - $4\frac{19}{32}$	$4\frac{9}{16}$ - $4\frac{15}{32}$	$4\frac{15}{32}$ - $4\frac{11}{32}$
Sterling	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{5}{16}$ - $7\frac{3}{16}$	$7\frac{3}{8}$ - $7\frac{1}{4}$	$7\frac{9}{16}$ - $7\frac{7}{16}$	$7\frac{9}{16}$ - $7\frac{7}{16}$	$7\frac{19}{32}$ - $7\frac{15}{32}$
Swiss Franc	$1\frac{5}{8}$ - $1\frac{1}{8}$	$1\frac{1}{4}$ - $1\frac{1}{8}$	$1\frac{1}{4}$ - $1\frac{1}{16}$	$1\frac{13}{32}$ - $1\frac{9}{32}$	$1\frac{9}{16}$ - $1\frac{7}{16}$	$1\frac{11}{16}$ - $1\frac{19}{32}$
Canadian Dollar	$4\frac{5}{16}$ - $4\frac{3}{16}$	$4\frac{7}{16}$ - $4\frac{3}{16}$	$4\frac{13}{32}$ - $4\frac{9}{32}$	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{23}{32}$ - $4\frac{21}{32}$	$4\frac{29}{32}$ - $4\frac{25}{32}$
US Dollar	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{19}{32}$ - $5\frac{1}{2}$	$5\frac{19}{32}$ - $5\frac{15}{32}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{9}{16}$ - $5\frac{17}{32}$	$5\frac{9}{16}$ - $5\frac{17}{32}$
Italian Lira	$6\frac{1}{2}$ - $5\frac{1}{2}$	$6\frac{5}{16}$ - $6\frac{3}{16}$	$6\frac{5}{16}$ - $6\frac{1}{16}$	6 - $5\frac{7}{8}$	$5\frac{11}{16}$ - $5\frac{19}{32}$	$5\frac{9}{16}$ - $5\frac{1}{16}$
Japanese Yen	$\frac{1}{2}$ - $\frac{3}{8}$	$\frac{1}{2}$ - $\frac{3}{8}$	$\frac{17}{32}$ - $\frac{7}{16}$	$\frac{1}{2}$ - $\frac{3}{8}$	$\frac{15}{32}$ - $\frac{3}{8}$	$\frac{1}{2}$ - $\frac{13}{32}$
Asian $Sing	$\frac{1}{4}$ - -	12 - 6	14 - 8	$11\frac{1}{2}$ - $8\frac{1}{2}$	12 - 9	$11\frac{1}{2}$ - 11

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.34	96.37	-	96.37	96.33	19,176	79,694
Jun	96.21	96.25	-	96.25	96.20	7,158	45,276
Sep	96.10	96.15	-	96.15	96.09	5,102	30,620

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.35	96.36	-0.01	96.38	96.33	32808	354221
Jun	96.21	96.23	-0.02	96.26	96.19	43236	343086
Sep	96.11	96.13	-0.02	96.15	96.08	35115	240395
Dec	95.95	95.98	-0.02	96.00	95.93	45164	217796

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.51	-0.01			0	966
Feb		96.49	-0.01			0	133
Mar		96.44	-0.01			0	150
Apr		96.41	-0.03			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.45	94.50	+0.01	94.52	94.44	23243	143404
Jun	95.27	95.28	-0.02	95.31	95.24	25571	135894
Sep	95.62	95.65	-0.01	95.66	95.60	11827	94796
Dec	95.68	95.74	+0.01	95.75	95.68	9887	111700

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.40	98.45	-0.02	98.51	98.39	13739	73748
Jun	98.31	98.34	-0.03	98.40	98.27	10957	36622
Sep	98.21	98.23	-0.03	98.28	98.18	3548	19931
Dec	98.01	98.05	-0.03	98.06	98.01	722	10210

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.21	99.21	+0.04	99.21	99.21	200	n/a
Jun		99.34	+0.03			0	n/a
Sep		99.36	+0.03			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.65	95.66	-0.02	95.67	95.64	801	9069
Jun	95.67	95.69	-0.03	95.71	95.67	515	6568
Sep	95.68	95.70	-0.04	95.72	95.67	889	8284
Dec	95.84	95.88	-0.01	95.85	95.84	9	4100

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.14	0.82	1.19	0.14	0.04	0.04
9475	0.06	0.60	0.96	0.31	0.07	0.06
9500	0.02	0.40	0.74	0.52	0.12	0.09

Est. vol. total, Calls 4657 Puts 4604. Previous day's open int., Calls 162499 Puts 64025

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.21	4.843	1.936	4767	5.460	20.00	495.4	410.7	21.32	3.939	1.629	3.809	2.657	349.5	2.452
Denmark	(DKr)	54.18	10	8.783	2.624	1.049	2583	2.958	10.84	268.4	222.5	11.55	2.134	0.883	2.064	1.439	189.4	1.328
France	(FFr)	61.68	11.39	10	2.987	1.194	2940	3.368	12.34	305.6	253.3	13.15	2.430	1.005	2.350	1.639	215.6	1.512
Germany	(DM)	20.65	3.811	3.348	1	0.400	984.3	1.127	4.131	102.3	84.81	4.403	0.813	0.336	0.787	0.549	72.17	0.506
Ireland	(I£)	51.66	9.535	8.375	2.502	1	2463	2.820	10.33	255.9	212.2	11.02	2.035	0.842	1.968	1.373	180.6	1.267
Italy	(L)	2.098	0.387	0.340	0.102	0.041	100	0.115	0.420	10.39	8.616	0.447	0.083	0.034	0.080	0.056	7.332	0.051
Netherlands	(Fl)	18.32	3.381	2.969	0.887	0.355	873.1	1	3.664	90.74	75.23	3.905	0.721	0.298	0.698	0.487	64.01	0.449
Norway	(NKr)	49.99	9.227	8.104	2.421	0.968	2383	2.729	10	247.6	205.3	10.66	1.969	0.814	1.904	1.328	174.7	1.226
Portugal	(Es)	20.19	3.726	3.272	0.978	0.391	962.2	1.102	4.038	100	82.91	4.304	0.795	0.329	0.769	0.536	70.55	0.495
Spain	(Pta)	24.35	4.494	3.947	1.179	0.471	1161	1.329	4.871	120.6	100	5.191	0.959	0.397	0.927	0.647	85.09	0.597
Sweden	(SKr)	46.90	8.657	7.603	2.271	0.908	2236	2.561	9.382	232.3	192.6	10	1.847	0.764	1.787	1.246	163.9	1.150
Switzerland	(SFr)	25.39	4.686	4.116	1.229	0.491	1210	1.386	5.079	125.8	104.3	5.413	1	0.414	0.967	0.675	88.73	0.622
UK	(£)	61.38	11.33	9.951	2.972	1.188	2926	3.351	12.28	304.1	252.1	13.09	2.418	1	2.338	1.631	214.5	1.505
Canada	(C$)	26.25	4.845	4.256	1.271	0.508	1251	1.433	5.252	130.1	107.8	5.597	1.034	0.428	1	0.697	91.75	0.644
USA	($)	37.64	6.947	6.102	1.823	0.729	1794	2.055	7.530	186.5	154.6	8.026	1.483	0.613	1.434	1	131.6	0.923
Japan	(Y)	28.61	5.281	4.639	1.386	0.554	1364	1.562	5.724	141.7	117.5	6.101	1.127	0.466	1.090	0.760	100	0.702
Ecu	-	40.79	7.528	6.612	1.975	0.790	1944	2.227	8.159	202.1	167.5	8.697	1.607	0.665	1.554	1.084	142.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5514	0.5495	-0.0019	0.5523	0.5482	18,224	105,853
Jun	0.5518	0.5518	-0.0022	0.5522	0.5518	4	3,317
Sep	-	0.5547	-0.0016	-	0.5547	31	1,633

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6821	0.6776	-0.0040	0.6825	0.6771	7,310	55,245
Jun	0.6832	0.6832	-0.0051	0.6845	0.6832	1	994
Sep	-	0.6948	-	-	-	2	1,102

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7658	0.7712	+0.0063	0.7730	0.7658	15,956	94,880
Jun	0.7812	0.7809	+0.0053	0.7818	0.7809	49	2,233
Sep	-	0.7895	+0.0043	0.7895	-	21	401

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6298	1.6244	-0.0044	1.6302	1.6218	10,701	33,551
Jun	1.6200	1.6180	-0.0034	1.6200	1.6150	2	1,334
Sep	-	1.6110	-0.0034	-	1.6090	2	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$7\frac{3}{8}$ - $6\frac{3}{4}$	$7\frac{5}{16}$ - $7\frac{1}{8}$	$7\frac{3}{8}$ - $7\frac{7}{32}$	$7\frac{1}{2}$ - $7\frac{3}{8}$	$7\frac{1}{2}$ - $7\frac{3}{16}$	$7\frac{9}{16}$ - $7\frac{5}{16}$
Sterling CDs	-	-	$7\frac{7}{16}$ - $7\frac{3}{8}$	$7\frac{9}{16}$ - $7\frac{1}{2}$	$7\frac{17}{32}$ - $7\frac{15}{32}$	$7\frac{19}{32}$ - $7\frac{15}{32}$
Treasury Bills	-	-	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{5}{16}$ - $7\frac{3}{16}$	-	-
Bank Bills	-	-	$7\frac{9}{32}$ - $7\frac{1}{8}$	$7\frac{13}{32}$ - $7\frac{7}{32}$	$7\frac{7}{16}$ - $7\frac{5}{16}$	-
Local authority deps.	$7\frac{1}{16}$ - 7	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{13}{32}$ - $7\frac{11}{32}$	$7\frac{17}{32}$ - $7\frac{15}{32}$	$7\frac{19}{32}$ - $7\frac{15}{32}$	$7\frac{19}{32}$ - $7\frac{17}{32}$
Discount Market deps	$7\frac{3}{16}$ - $7\frac{1}{16}$	$7\frac{3}{16}$ - $7\frac{1}{16}$	-	-	-	-

UK clearing bank base lending rate $7\frac{1}{4}$ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc.
Ave. tender rate of discount on Jan 9, 6.9939pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 31, 1997. Agreed rate for period Jan 26, 1998 to Feb 24, 1998, Scheme III 8.95pc. Reference rate for period Nov 29, 1997 to Dec 31, 1997, Schemes IV & V 7.709pc. Finance House Base Rate 8pc from Jan 1, 1998

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.62	92.51	-0.15	92.62	92.47	51387	142184
Jun	92.73	92.63	-0.17	92.75	92.59	66001	121197
Sep	92.92	92.80	-0.17	92.92	92.75	40583	99149
Dec	93.07	92.97	-0.16	93.07	92.91	35033	92067
Mar	93.24	93.15	-0.14	93.24	93.08	20912	75470

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.12	0.28	0.46	0.11	0.15	0.16
9275	0.03	0.15	0.30	0.27	0.27	0.25
9300	0	0.07	0.19	0.48	0.44	0.39

Est. vol. total, Calls 16452 Puts 8450. Previous day's open int., Calls 190402 Puts 170423.

EMS EUROPEAN CURRENCY UNIT RATES

Jan 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.789602	-0.003842	-1.14	3.83	8
Italy	1906.48	1944.86	+0.97	2.00	0.63	-15
Spain	163.826	167.465	-0.003	2.22	0.41	-15
Finland	5.85424	5.98481	-0.00095	2.23	0.40	-15
Portugal	197.398	202.028	-0.058	2.35	0.29	-16
Denmark	7.34555	7.52686	+0.00093	2.47	0.17	-17
France	6.45863	6.61785	+0.00005	2.47	0.17	-21
Austria	13.5485	13.9038	+0.0004	2.62	0.02	-19
Netherlands	2.16979	2.22690	-8e-05	2.63	0.01	-20
Germany	1.92573	1.97637	-0.00005	2.63	0.01	-26
Belgium	39.7191	40.7686	+0.0015	2.64	0.00	-19
NON ERM MEMBERS						
Greece	295.269	311.588	-0.195	5.53	-2.73	-
UK	0.793103	0.664142	+0.000118	-16.26	22.57	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.630	0.77	1.93	2.52	0.48	1.84	2.64
1.640	0.37	1.48	2.12	1.05	2.40	3.20
1.650	0.16	1.10	1.68	1.81	2.98	3.81

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.545	0.53	1.00	1.29	0.06	0.44	0.66
0.550	0.20	0.71	1.01	0.22	0.65	0.88
0.555	0.05	0.49	0.77	0.56	0.93	1.15

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.43	94.42	-0.02	94.43	94.39	137,510	494,925
Jun	94.52	94.50	-0.03	94.53	94.47	134,890	407,915
Sep	94.54	94.51	-0.04	94.54	94.47	94,332	293,020

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.24	95.20	-0.04	95.24	95.13	757	8,467
Jun	-	95.22	-0.05	-	95.22	330	1,875
Sep	-	95.23	-0.05	-	95.23	13	49

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9625	0.13	0.14	0.15	0.14	0.02	0.03	0.04	0.16
9650	0.01	0.02	0.03	0.05	0.15	0.16	0.17	0.32
9675	0	0.01	0.01	0.02	0.39	0.40	0.40	0.54
9700	0	0	0	0	0.64	0.64	0.64	0.77

Est. vol. total, Calls 19058 Puts 13720. Previous day's open int., Calls 279271 Puts 322047

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.09	0.13	0.13	0.14	0.29	0.40
9875	0.03	0.06	0.05	0.33	0.47	0.57

Est. vol. total, Calls 250 Puts 700. Previous day's open int., Calls 350 Puts 1695

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25	* In administration	
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co.	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

COMMODITIES AND AGRICULTURE

US watchdog increases silver surveillance

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

A US watchdog yesterday said it had increased its surveillance of the silver market after the recent fluctuations in its price.

The Commodity Futures Trading Commission – which regulates the US futures industry – said it intensified its surveillance efforts "when unusual events or activity occur such as we have seen lately in the silver markets".

However, a CFTC official said this did not necessarily mean it was investigating possible manipulation of the market, as had been alleged, and refused to confirm or deny there was such a probe.

Worries about a CFTC investigation or the possibility of a class action suit alleging manipulation caused silver to fall sharply last week. Yesterday it was buoyed by better sentiment in precious metals markets. Traders said this was because of an apparent improvement in Asia's financial crisis.

Palladium, which has risen sharply because of fears about a delay to exports from Russia, also benefited. Palladium's price was "fixed" in London yesterday morning at $248.50 a troy ounce, the highest for 18 years, and at one point touched $255. By the close in London, however, it had fallen back to $237, only 10 cents above Tuesday's close.

Oil continued to be bolstered by the latest showdown between Iraq and the United Nations over arms inspection teams. The price of Brent Blend for February delivery was quoted at $15.46 a barrel in late trading on London's International Petroleum Exchange, up 8 cents on Tuesday's close.

Oil markets in London and New York managed to slough off much of the day's developments, such as progress on finalising the oil sales agreements that are the only remaining hurdle to the resumption of Iraqi oil exports. Even bearish inventory data from the American Petroleum Institute failed to be a drag on the market.

Trading volumes for coffee futures on the London International Financial Futures Exchange were again low, at just 1,952 lots, and the relative torpor in the market was reflected in a tight trading range for the day, with the March contract ending just $2 higher at $1,735 a tonne.

Cocoa futures on Liffe were much more heavily traded – 10,033 lots in all – but the end result for the leading contract, March, was little different from that for coffee. March closed £6 higher, at £1,043 a tonne.

Bearish news continued to emerge from Ivory Coast, with total cocoa bean arrivals at ports put at 700,000 tonnes by January 11, against 680,000 tonnes at the same point for the bumper 1996-97 harvest.

Clearing records in silver and gold

By Kenneth Gooding, Mining Correspondent

Records were set in both the gold and silver markets in December, according to the London Bullion Market Association.

The volume of gold cleared in London, the international settlement centre for gold bullion, increased sharply as the price fell to the lowest level for 18 years.

The average daily clearing turnover was 43.7m troy ounces, the highest level recorded by the LBMA since it started publishing the statistics in October 1996.

However, the value of daily turnover, at $12.6bn, was well below the record of $14bn seen in February last year. It was only slightly up on the $12.5bn a day cleared in November, when the average daily volume was 40.8m ounces.

Analysts suggest that gold producers were rushing to hedge their output in December as the price fell from an average of $306 an ounce in November to an average $288.70.

According to the LBMA, the volume of silver cleared daily in December was also at the highest level it has yet recorded, as was the daily value.

Some 395.8m troy ounces of silver valued at US$2.3bn were cleared each day. The highest levels previously recorded by the LBMA were a daily volume of 345.5m ounces in October last year and a value of $1.7bn in both October and November.

Silver's price has been particularly volatile amid market suggestions that a syndicate is determined to push the price up to at least $7 an ounce. The average silver price in London in December was $5.795 an ounce, up from $5.078 in November.

Asia puts pulp recovery on hold

Just a few months ago, the talk among international forestry groups was of rising prices and fatter profits in 1998. Such hopes are now hitting the earth with a heavy thud.

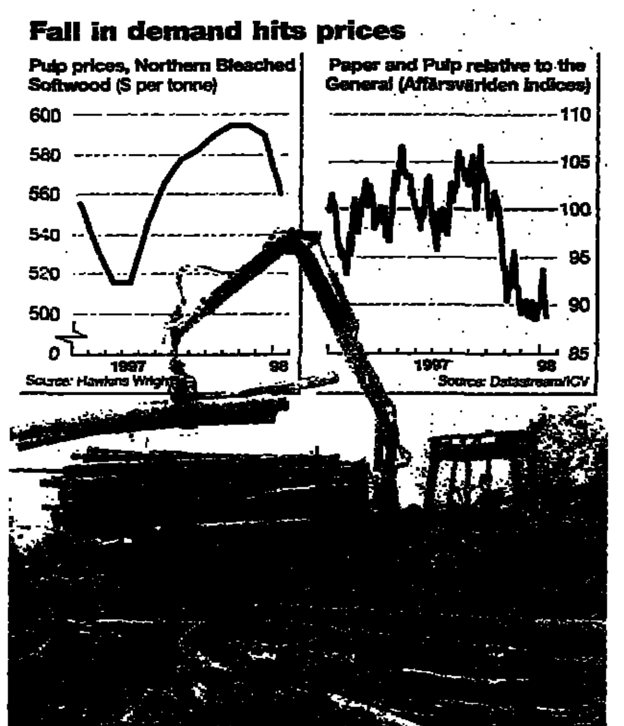
After weeks of brushing off the threat to their business of the turmoil in Asia, companies are finally acknowledging that the crisis could hurt them.

International Paper of the US, the world's biggest forestry group, said on Tuesday that profits from wood pulp sales had been dented by weaker Asian demand.

Yesterday Södra, Europe's leading producer of market pulp, predicted global demand would decline by between 5 per cent and 7.5 per cent this year because of the Asian turbulence.

Södra announced it was cutting back production and demanded similar restraint from competitors as a prerequisite for restoring balance to the market.

US and Scandinavian inventories of Northern Bleached Softwood Kraft, or long-fibre pulp – the industry benchmark – were 1.67m tonnes in November, above the 1.5m tonnes level denoting equilibrium between supply and demand.



Industry observers suggest inventories in December may have risen by 150,000 to 200,000 tonnes. The result is that pulp prices, having recovered steadily last year from a cyclical low of $480 a tonne in April to $610 by December, are sliding again.

Mikko Tahvanainen, of the Finnish Forest Industries Federation, said transaction prices were about $560 in Europe, while spot market prices were below $500.

The PIX index published this week by the Finnish Options Exchange put the average price at $574.

"The very best you can say is that the [Asia] crisis has postponed the recovery in the paper industry. The question is whether it goes back down into a depression again," said Alastair Irvine, paper and packaging analyst at Merrill Lynch in London.

Demand from Asia, which imports large quantities of long-fibre pulp, has been undermined by lower economic activity and by currency devaluations, which have inflated import prices by up to 80 per cent.

Such considerations have been largely discounted by forestry stock investors but the short-term outlook for demand and prices is weak.

Large producers of market pulp, such as Södra and MoDo of Sweden, and North American groups such as Weyerhauser and Georgia-Pacific are among those most immediately exposed.

But pulp is the key raw material of paper, and any significant drop in pulp prices will eventually affect rates for paper grades such as newsprint and fine paper.

Dennis Christie, forestry specialist at Dresdner Kleinwort Benson in London, said as soon as buyers of paper saw pulp prices falling they would want price reductions.

He sees paper prices falling by 5 to 10 per cent over the next two quarters, notwithstanding claims by some companies that rates will hold firm. Pulp prices, he believes, "could easily go down to $400 a tonne if most producers don't take enough down-time and the Asians stop buying".

Analysts agree prices will fall, but differ on how much. More bullish predictions suggest pulp rates will fall no lower than $500-$550 and will rally later in the year.

One Stockholm-based forestry analyst said underlying demand in Asia for paper and pulp products remained strong and suggested pulp prices could start to rebound in the second quarter.

Given the extent of uncertainty hanging over Asia, only a brave person would bet on the outcome.

Price movements in the pulp industry, which has an estimated over-capacity of 10 to 15 per cent, can be notoriously difficult to predict at the best of times.

Producers have in recent years shown more discipline in curbing production to offset rising inventories or weaker demand. However, concerted action still tends to be too late to avert price declines, although it enables rates to recover more quickly subsequently.

Södra and Weyerhauser, which has also pledged to take downtime, are so far in a minority. Should prices dip much below $450 a tonne, many producers will be operating below their cost of production.

Prices may also come under pressure if south-east Asian producers exploit new-found currency advantages linked to massive devaluations to unload unsold stocks of short-fibre pulp on to western markets.

It is not clear whether this threat will materialise. But even if it peters out, analysts say the perceived risk is enough to drive prices down.

Greg McIvor

Ukraine plans further grain sector reform

By Charles Clover in Kiev

The Ukrainian government will undertake another reform of its grain producing sector in an attempt to increase market incentives to farmers.

A ministry of agriculture official said the state would no longer force farmers to sell part of their grain harvests at an artificially low price. Instead, they would be able to sell all their output at market prices through commodities exchanges.

"Every year, the government issues a decree on the mandatory purchase of grain," said Leonid Podolyanuk, at the ministry of agriculture. "For 1998, there has been no such decree, and according to my information, there will not be one."

Under current policy – which dates from the early Soviet period – farmers must sell 10 per cent of their output to the state at a discount. Last year, total state orders were for 3m tons from a grain harvest of 35m tons. Freeing them from this obligation will give the farmers greater incentive to produce.

The mandatory state purchases have been abused in the past. In 1996, for example, farmers were not permitted to export any of their grain until state orders were filled, which jeopardised some $400m in grain export contracts and caused insolvency among farmers. Many farmers, meanwhile, have not been paid for state purchases for several years.

Ukraine's farmers still receive more than 25 per cent less for their grain than their counterparts worldwide because of the inefficiency of the marketing sector, which is run by Khlib Ukrainy (Bread of Ukraine), the grain storage and processing monopoly.

While most analysts reacted positively to the change, some were concerned. "The government has said that it will move out of the market, but will the private sector move in?" asked Boghdan Chomiak, a policy analyst at Chemonics International, which runs the Ukrainian Agrarian Commodity Exchange Project in Kiev.

The decision to eliminate mandatory state purchases is part of a broader move to reform Ukraine's agriculture sector. Last year, it was decided to break up and privatise Khlib Ukrainy.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1481-2	1507-8
Previous	1474.5-75.5	1501-02
High/low		1515/1496
AM Official	1475.5-76	1500.5-01
Kerb close		1511-2
Open int.	277,519	
Total daily turnover	67,490	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1320-30	1345-50
Previous	1318-23	1340-42
High/low		1355/1342
AM Official	1310-15	1340-45
Kerb close		1342-7
Open int.	5,262	
Total daily turnover	1,075	

■ LEAD ($ per tonne)

Close	537-8	539-40
Previous	550-1	549-50
High/low		550/535
AM Official	530.5-1	535.5-6
Kerb close		542-3
Open int.	30,912	
Total daily turnover	10,527	

■ NICKEL ($ per tonne)

Close	5600-10	5700-10
Previous	5625-35	5720-30
High/low		5750/5670
AM Official	5570-75	5685-90
Kerb close		5725-30
Open int.	58,271	
Total daily turnover	18,360	

■ TIN ($ per tonne)

Close	5175-85	5200-10
Previous	5190-200	5215-20
High/low		5230/5180
AM Official	5170-75	5195-200
Kerb close		5200-05
Open int.	14,916	
Total daily turnover	5,100	

■ ZINC, special high grade ($ per tonne)

Close	1118-9	1142-3
Previous	1084.5-85.5	1108-09
High/low		1155/1127
AM Official	1107.5-08.5	1131-32
Kerb close		1141-2
Open int.	76,247	
Total daily turnover	28,965	

■ COPPER, grade A ($ per tonne)

Close	1703-4	1731-2
Previous	1681.5-82.5	1711-12
High/low		1740/1708
AM Official	1680-81	1710-11
Kerb close		1729-30
Open int.	150,401	
Total daily turnover	72,027	

■ LME AM Official £/$ rate: 1.6291
LME Closing £/$ rate: 1.6310

Spot: 1.6303 3 mths: 1.6232 6 mths: 1.6159 9 mths: 1.6085

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	78.50	+0.40	77.50	76.40	1,103	1,734
Feb	76.85	+0.35	78.10	76.60	368	2,696
Mar	77.30	+0.40	78.80	76.90	12,440	36,064
Apr	77.65	+0.35	78.90	78.20	52	1,654
May	78.10	+0.35	79.50	77.90	440	5,565
Jun	78.50	+0.35	79.90	79.40	54	1,693
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	283.10-283.60		
Opening	288.00-288.40		
Morning fix	285.90	175.323	424.276
Afternoon fix	282.50	173.185	419.069
Day's High	286.50-286.90		
Day's Low	282.00-282.40		
Previous close	280.40-280.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.72	6 months	3.71
2 months	3.71	12 months	3.72
3 months	3.71		

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.25	570.00
3 months	350.05	567.15
6 months	351.15	566.40
1 year	351.70	562.70

Gold Coins	$ price	£ equiv.
Krugerrand	279.50-282.50	171.0-173.0
Maple Leaf	-	-
New Sovereign	65.00-68.00	39-41

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	281.9	-1.4	-	-	-	-
Feb	282.4	-1.4	287.3	282.0	46,032	90,883
Apr	283.7	-1.4	288.0	283.2	9,964	22,755
Jun	285.5	-1.3	290.0	285.2	445	12,270
Aug	287.3	-1.3	291.0	291.0	10	5,604
Oct	289.1	-1.2	290.0	290.0	122	3,170
Total					57,838	181,661

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	391.5	+16.3	393.0	380.0	57	83
Apr	388.0	+15.8	390.5	372.0	3,326	10,610
Jul	384.0	+14.8	385.0	370.0	28	624
Oct	383.0	+14.8	356.0	356.0	1	233
Total					3,412	11,559

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	239.55	+3.15	248.00	231.00	1,006	3,239
Jun	234.05	+0.90	245.00	230.50	29	602
Sep	231.05	+0.90	-	-	1	4
Total					1,036	3,845

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Jan	565.8	+0.5	570.0	560.0	220	212
Feb	567.4	+0.4	-	-	2	4
Mar	568.8	+0.3	581.0	559.5	16,437	60,203
May	569.8	+0.3	583.0	561.5	441	7,932
Jul	569.5	+0.3	576.0	560.0	224	7,727
Sep	569.3	+0.3	558.0	552.5	16	1,633
Total					17,467	92,507

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	16.62	+0.19	16.70	16.38	42,769	80,926
Mar	16.75	+0.11	16.85	16.59	30,875	78,022
Apr	16.94	+0.08	17.05	16.82	6,410	37,459
May	17.14	+0.06	17.22	17.06	3,600	28,543
Jun	17.35	+0.05	17.47	17.26	3,968	39,535
Jul	17.50	-	17.65	17.49	2,186	19,944
Total						

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	15.49	+0.11	15.57	15.34	10,922	24,025
Mar	15.50	+0.10	15.60	15.35	17,806	82,621
Apr	15.68	+0.09	15.75	15.57	4,040	24,097
May	15.88	+0.10	15.93	15.76	2,034	15,406
Jun	16.09	+0.12	16.13	15.99	1,567	20,285
Jul	16.25	+0.10	16.31	16.21	1,647	11,743
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	46.45	+0.36	46.70	45.75	15,558	54,302
Mar	46.90	+0.20	47.45	46.40	11,582	33,936
Apr	47.35	+0.25	47.50	46.85	3,704	17,671
May	47.70	+0.25	47.95	47.55	2,070	10,550
Jun	48.00	+0.25	48.50	47.50	1,744	14,953
Jul	48.50	+0.25	48.75	48.30	1,377	8,763
Total						

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	141.75	-1.00	142.00	140.50	5,253	29,186
Mar	143.25	-1.00	143.50	142.00	4,022	13,635
Apr	145.25	-0.50	145.25	143.75	1,699	9,681
May	147.00	-1.00	147.00	145.75	1,363	4,477
Jun	148.75	-0.75	149.00	147.75	1,163	11,971
Jul	150.75	-0.75	150.75	149.50	440	3,244
Total						

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Feb	14.000	-0.030	14.750	14.000	120	3,465
Mar	10.800	+0.070	10.800	10.790	50	1,825
Total						

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.040	+0.026	2.070	2.001	30,208	37,811
Mar	2.030	+0.018	2.055	2.001	8,029	27,662
Apr	2.045	+0.022	2.055	2.020	3,099	13,945
May	2.060	+0.021	2.070	2.045	1,811	11,070
Jun	2.085	+0.020	2.100	2.075	1,026	10,555
Jul	2.115	+0.025	2.130	2.100	887	10,527
Total						

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	51.45	+0.06	51.70	50.90	13,054	33,415
Mar	51.90	-0.03	52.20	51.30	7,450	21,550
Apr	54.60	+0.15	54.75	54.10	2,473	17,123
May	54.90	+0.30	55.10	54.50	2,065	11,842
Jun	54.80	+0.45	54.80	54.35	612	8,518
Jul	54.40	+0.55	54.40	54.10	665	7,148
Total						

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	78.85	-0.40	-	-	-	45
Mar	80.55	-0.45	80.90	80.50	54	2,929
May	82.60	-0.40	83.00	82.60	65	3,667
Jul	84.60	-0.40	84.60	84.60	5	506
Sep	81.25	+0.10	-	-	-	38
Total					129	8,314

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	329.50	-4.50	337.50	328.00	32,245	55,267
May	338.50	-3.00	345.00	337.00	5,157	14,363
Jul	346.75	-3.00	354.00	345.00	5,500	21,488
Sep	352.00	-3.50	361.00	352.00	414	1,631
Dec	365.00	-2.25	370.50	364.50	541	3,115
Jul	358.00	-	-	357.00	25	23
Total					43,857	95,887

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	273.75	+3.5	278.00	270.25	68,613	159,366
May	280.00	+3.75	284.50	276.50	11,711	55,987
Jul	285.00	+4.25	289.00	281.50	12,674	64,901
Sep	280.25	+1.75	282.50	278.75	619	9,221
Dec	280.25	+1.25	282.75	278.50	11,975	35,746
Mar	286.25	+1.25	287.50	284.75	183	1,769
Total					105,807	328,191

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	74.00	-	74.25	74.25	27	45
Mar	75.50	-0.75	75.50	75.50	5	1,410
May	76.50	-0.75	-	-	-	20
Sep	78.50	+0.25	-	-	-	6
Total					65	1,648

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	664.75	-6.25	674.50	661.00	1,507	3,335
Mar	665.50	-7.25	675.50	661.50	43,025	57,580
May	669.50	-8.00	679.50	665.00	6,707	27,543
Jul	672.75	-8.50	683.00	668.00	4,648	27,005
Aug	670.75	-9.00	682.50	669.00	278	4,735
Sep	659.00	-6.25	666.00	660.50	25	391
Total					58,368	132,168

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	24.48	-0.04	24.65	24.25	1,355	1,697
Mar	24.80	-0.05	24.95	24.54	11,425	56,502
May	25.11	-0.08	25.19	24.85	1,806	19,160
Jul	25.28	-0.09	25.37	25.01	2,611	14,263
Aug	25.25	-0.08	25.30	25.00	208	4,386
Sep	25.10	-0.07	25.10	24.90	79	1,736
Total					18,241	101,791

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	195.4	-3.0	200.4	194.6	3,858	7,460
Mar	193.6	-3.2	198.7	193.0	14,984	46,416
May	192.9	-3.5	198.2	192.5	3,227	28,354
Jul	195.2	-2.9	199.7	194.3	2,383	18,534
Aug	195.3	-3.4	200.5	195.1	66	6,952
Sep	197.0	-2.0	201.5	196.2	59	4,417
Total					24,681	115,177

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	83.0	-3.0	-	-	-	-
Apr	103.0	-3.0	104.0	103.0	12	1,043
May	113.0	-3.0	-	-	-	67
Jun	123.0	-3.0	-	-	-	-
Nov	54.0	-	-	-	-	-
Total					12	1,153

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jan	1137	-23	1150	1137	158	625
Feb	1120	-30	1140	1126	62	195
Mar	1175	-5	1180	1175	55	233
Apr	1207	-28	1225	1210	62	495
Jul	1080	-20	1080	1080	32	129
Total					342	1,736

	Close	Prev
BFI	1204	1214

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	468.00	-7.00	469.50	463.50	51	425
Jun	491.00	-3.50	491.00	482.00	64	307
Total					122	764

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,550.-1,620 (1,540-1,610). Bismuth: min. 99.99%, tonne lots 3.00-3.20 (3.00-3.25). Cadmium: min. 99.95%, cents a pound, 30.00-35.00 (30.00-40.00). Cobalt: MB free market, min. 99.8%, 25.00-25.50, min. 99.3%, 17.80-18.30 (17.90-18.40). Mercury: min. 99.99%, $ per 76 lb flask, 140-150. Molybdenum: drummed molybdic oxide, 3.80-3.85 (3.80-3.95). Selenium: min 99.5%, 2.00-3.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-52. Vanadium: min. 98%, CIF, 5.95-6.15 (5.60-6.80). Uranium: Nuexco unrestricted exchange value, 9.65.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1017	+5	1024	1012	4,204	62,825
May	1042	+5	1050	1038	656	24,711
Jul	1063	+5	1070	1060	702	12,459
Sep	1084	+5	1091	1082	1,022	23,373
Dec	1112	+5	1120	1110	1,147	27,379
Mar	1140	+7	1144	1136	414	18,768
Total					10,033	184,243

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1547	-	1557	1537	5,087	34,242
May	1584	+12	1590	1574	1,241	23,773
Jul	1615	+13	1618	1607	333	5,844
Sep	1644	+9	1645	1635	312	5,751
Dec	1675	+12	1678	1669	486	9,631
Mar	1706	-6	1709	1698	135	9,053
Total					7,574	91,893

■ COCOA (ICCO) (SDR's/tonne)

Jan 13	Price	Prev. day
Daily	1213.52	1218.75

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1789	+15	1795	1780	295	2,896
Mar	1738	+5	1750	1732	2,635	24,975
May	1718	+3	1735	1715	1,789	9,465
Jul	1706	+1	1719	1705	147	1,907
Sep	1701	+1	1700	1700	-	844
Nov	1701	+1	-	-	-	46
Total					7,259	27,869

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	164.80	-	167.00	161.00	5,339	15,530
May	160.45	+0.70	162.00	157.50	670	6,035
Jul	155.00	+0.60	155.50	153.00	537	2,844
Sep	149.00	+0.10	149.00	146.50	223	1,498
Dec	144.25	+0.10	144.50	141.75	480	1,830
Mar	140.75	+0.10	-	-	1	302
Total					4,860	40,153

■ COFFEE (ICO) (US cents/pound)

Jan 13		Prev. day
Comp. daily	127.81	125.36
15 day average	126.37	127.11

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	299.6	+0.9	300.5	298.3	1,968	21,089
May	303.3	+0.7	304.0	301.8	1,035	9,544
Aug	306.5	+1.0	307.0	305.5	237	4,885
Oct	301.4	+0.9	301.6	300.3	268	5,131
Dec	304.8	+1.2	304.7	303.5	10	238
Total					3,518	41,235

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.54	-	11.60	11.53	20,682	90,405
May	11.39	+0.04	11.43	11.37	4,722	40,834
Jul	11.20	+0.03	11.22	11.18	2,462	27,662
Oct	11.19	+0.03	11.22	11.16	1,892	32,237
Mar	11.16	+0.02	11.18	11.14	414	7,405
May	11.12	+0.02	11.12	11.12	220	1,672
Total					30,392	203,355

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	65.88	-0.98	65.95	65.46	7,507	38,024
May	67.27	-	67.30	66.95	1,676	15,490
Jul	68.56	+0.35	68.65	68.30	902	15,307
Oct	70.55	+0.22	70.55	70.60	290	1,691
Dec	71.82	+0.17	71.90	71.65	1,172	16,274
Mar	72.87	-0.08	72.85	72.85	34	584
Total					11,624	87,851

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	89.05	-26.95	89.25	86.80	2,501	19,722
May	91.80	+5.65	92.00	89.90	392	6,713
Jul	95.15	+7.55	94.50	93.50	375	4,314
Sep	98.15	+7.45	-	-	80	2,048
Nov	100.60	+6.60	99.15	99.00	2	1,820
Jan	103.30	+6.45	101.50	101.50	2	596
Total					3,352	36,300

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 14	Jan 13	month ago	year ago
1724.0	1717.6	1780.6	1891.6

■ CRB Futures (Base: 1967 = 100)

Jan 13	Jan 12	month ago	year ago
225.80	222.60	-	-

■ GSCI Spot (Base: 1970 = 100)

Jan 13	Jan 12	month ago	year ago
169.03	167.27	179.81	219.04

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,950	to	614,800
Aluminium alloy	+360	to	43,040
Copper	-25	to	340,750
Lead	-375	to	111,850
Nickel	-72	to	65,856
Zinc	-2,375	to	489,125
Tin	-40	to	13,005

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	65.400	+0.250	65.500	64.950	8,216	39,381
Apr	68.000	+0.300	68.225	67.525	7,515	33,626
Jun	68.850	+0.700	69.000	68.125	2,481	21,280
Aug	69.825	+0.650	69.850	69.000	656	7,638
Oct	72.175	+0.700	72.250	71.400	299	2,573
Dec	72.900	+0.600	72.900	72.200	20	542
Total						

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	57.550	-0.350	57.800	57.075	3,277	21,020
Apr	56.525	-0.225	56.800	56.150	2,308	12,279
Jun	64.425	-0.125	64.650	64.100	938	8,098
Jul	64.150	-0.100	64.450	64.000	276	2,638
Aug	62.175	-0.125	62.350	62.050	38	844
Oct	59.100	-0.125	59.200	58.900	28	986
Total						

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	47.725	-2.300	50.350	47.550	829	5,204
Mar	47.100	-2.400	49.850	47.025	399	1,594
May	48.300	-2.150	50.900	47.800	134	1,257
Jul	48.975	-1.725	50.950	48.000	52	752
Aug	46.000	-1.050	47.850	46.000	4	132
Total						

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1475	40	80	17	41
1500	27	67	27	52
1525	17	55	42	65
■ COPPER (Grade A) LME	Feb	May	Feb	May
1650	77	124	13	37
1700	44	95	30	56
1750	22	70	58	80
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1650	119	141	31	73
1700	88	116	50	98
1750	66	95	78	127
■ COCOA LIFFE	Mar	May	Mar	May
1025	22	53	30	36
1050	14	42	47	50
1075	10	33	66	66
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1600	31	55	66	-
1650	14	-	-	-
1700	9	25	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.20-3.35	-0.05
Brent Blend (dated)	$14.81-4.86	-0.165
Brent Blend (Feb)	$15.41-5.46	-0.035
W.T.I.	$15.56-5.60	+0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-173	-2
Gas Oil	$142-144	-1
Heavy Fuel Oil	$70-72	
Naphtha	$157-158	
Jet fuel	$162-163	-0.5
Diesel	$147-148	-1

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	14.00-14.25	+0.32

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

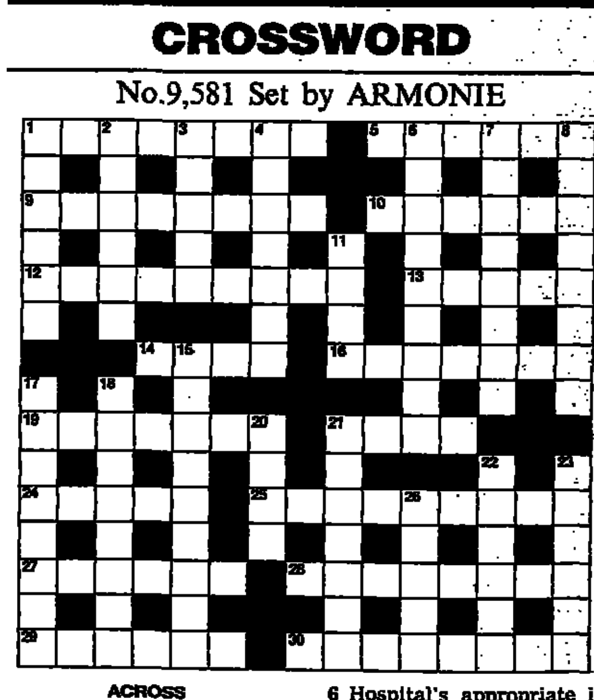
Gold (per troy oz)♣	$283.35	+2.70
Silver (per troy oz)♣	569.00c	+8.0
Platinum (per troy oz.)	$375.00	+14.5
Palladium (per troy oz.)	$241.50	+9.5
Copper	82.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.61r	
Tin (New York)	248.5	+1.0
Cattle (live weight)	88.51p	-2.78*
Sheep (live weight)	82.64p	-5.03*
Pigs (live weight)†	83.96p	-4.41*
Lon. day sugar (raw)	$277.80	-1.90
Lon. day sugar (wte)	$296.00	-1.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	43.75p	+1.00
Rubber (Mar)♥	43.75p	+1.00
Rubber (KL RSS No1)	292.00z	+1.50
Coconut Oil (Phil)§	560.0y	-60.0
Palm Oil (Malay.)§	605.0	+20.0
Copra (Phil)§	$380.0y	-7.5
Soyabeans (US)	180.0	-2.0
Cotton Outlook'A' index	71.20c	-0.40
Wooltops (64s Super)	385p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,682 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,581 Set by ARMONIE



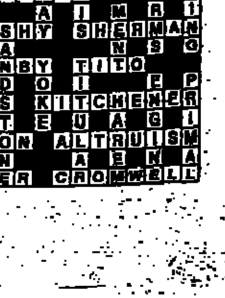
ACROSS

1 The obstinacy of sprite tucking into beastly food (4-4)
5 Moral turpitude, initially found in the hunt (6)
9 Subject Antonia disseminated to student (8)
10 Make a mistake with commission (6)
12 Peripheral restriction for telephone receiver (4,5)
13 Found dog following commander (5)
14 Courageous chap embracing sovereign (4)
16 The issue surrounding fear of plant (7)
19 Performer playing a cornet (7)
21 Muscle complaint (4)
24 About to store herb (5)
25 Finally succumb to roaming winger (9)
27 Duck pate's made of this for Roland's comrade (6)
28 Enthuse about dress feature rejected in clothes business (3,5)
29 Reallocated Rhoda's reserves (6)
30 The contract is unable to accommodate kitchen item (8)

DOWN

1 Sunbathe with dull divers (6)
2 Prayer cheered some (6)
3 Lothario entertaining love for novelist (5)
4 King Edward's erudite (7)
6 Hospital's appropriate in Yorkshire town (9)
7 One looking for a vault in the oracle (8)
8 The promised land for lad involved with rodeo (8)
11 Subordinate to praise missing bishop (4)
15 Looking up those people in winning design (2,3,4)
17 A lump in the mixture used in the kitchen (3,5)
18 Sailor swept up sand in church (8)
20 Bishop of York lifted garment (4)
21 Word of approval about advert leads to boastfulness (7)
22 Scoundrel in spy organisation is a six-footer (6)
23 Old king is good in knitted beret (6)
26 Hit man is to have a swim (5)

Solution 9,580



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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Baring International Fd Mgrs (Ireland) Ltd

Lazard Investment Funds Ltd - Contd.

BT&T Asset Management (Ireland) Ltd

Barclays Global Investors Ireland Ltd

Hanson Ireland Ltd

Ulster Bank Investment Services

Royal Bank of Scotland International Ltd

JERSEY (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

IRELAND (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 434654211

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Pfolio		Ecu28.24		+0.3	-
European Multinational Pfolio		$28.42		+0.23	-
European Multinational Pfolio		£17.46		+0.2	-
European Multinational Pfolio		L51040		+602	-
European Multinational Pfolio		DM51.87		+0.58	-
Global Multinational Pfolio		Ecu23.79		+0.3	-
Global Multinational Pfolio		$25.76		+0.24	-
Global Multinational Pfolio		£15.63		+0.2	-
Global Multinational Pfolio		L46259		+601	-
Global Multinational Pfolio		DM47.02		+0.58	-
US Growth Companies		$17.33		-0.35	-
US Growth Companies		£10.65		+0.37	-
US Growth Companies		L31118		+1091	-
US Growth Companies		DM31.63		+1.09	-
US Real Estate Securities		$16.84		+0.08	-
US Real Estate Securities		£10.35		+0.09	-
US Real Estate Securities		L30247		+294	-
US Real Estate Securities		DM30.74		+0.24	-

BAII Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

Americanos NAV Dec 15 F		5678.66		+0.65	-

Bank Von Ernst & Cie AG
Marktgasse 63/65 3001 Bern, Switzerland 0041 313291111

UK Equity		£18.31		—	-
UK Smaller Co's Eqty		£27.85		+0.10	-
Nth American Equity		$17.56		+0.09	-
US Smaller Co's Eqty		$24.80		+0.28	-
Pacific Basin Equity		$9.64		+0.18	-
Japanese Equity		¥459		+1	-
European Equity		DM13.5		+7.00	-
Swiss Equity		SF17.3		+0.25	-
Sterling Fixed Int		£16.38		-0.01	-
Sterling Fixed Int Dis		£10.44		—	-
European Fixed Int		DM14.3		+0.01	-
European Fixed Int Dis		DM9.54		-0.01	-
DM Bond Cap		DM14.3		-0.02	-
DM Short Term Cap		DM13.3		—	-
Global Equity		$15.12		—	-
Global Bond		$13.73		-0.02	-

Foreign & Colonial Emerging Markets Ltd (u)
Exchange Ho, Primrose St, Lon, EC2A 2NY 0171-628 1234

F&C Emerging Markets

Argentinian Inv Co F		$23.82		+0.86	-
Brazilian Inv Co SICAV F		$40.60		+0.91	-
Latin America Inv Co F		$11.39		+0.18	-
Mexican Inv Co SICAV F		$26.50		+0.32	-

Foreign & Colonial Portfolios Fd Sicav(u)
47 Boulevard Royal, L-2449 Lux 01534 504541

Am Smlr Cos Eq F		$46.31		+0.80	-
Emerging Asian Eq F		$12.81		+0.39	-
Sterling Bond F		£10.07		+0.02	-
Sterling Distribution F	5	£8.73		+0.04	-

Frontrunner I (u)
672 rue de Neudorf, Luxembourg 00 352 43887350

European Value Fd		Ecu187.54		—	-
Global Bond Fd		DKr784.10		—	-
Global Bond Fd		DM161.82		—	-
Sterling Bond Fd		£207.85		—	-
Danish Bond Fd		DKr191.44		—	-
Swedish Bond Fd	3	SKr138.40		—	-
German Bond Fd		DM110.30		—	-
Dollar Bond Fd	3	$107.08		—	-
Scandinavian Value Fd		Ecu274.93		—	-
Far East Value Fd		$50.22		—	-
North American Value Fd	5	$111.82		—	-
Danish Kroner Reserve		DKr112.53		—	-
Swedish Kroner Reserve		SKr118.71		—	-
German Mark Reserve		DM109.41		—	-
US Dollar Reserve	3	$103.58		—	-
ECU Reserve		Ecu112.61		—	-
Norwegian Kroner Reserve		NKr101.42		—	-
Garant 2/1998	3	DM125.73		—	-
Bonds 2/1998	3	DM104.52		—	-
Bonds 2/1999		DM103.31		—	-
Danish Mortgage Bond Fd		DKr105.77		—	-
Danish Long Bond Fd	3	DKr111.22		—	-
Danish Equity Fd		DKr107.55		—	-
Swedish Equity Fd	5	SKr100.22		—	-
Norwegian Equity Fd	5	NKr94.00		—	-
European Equity Fd	5	Ecu104.33		—	-

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	♣N	526xd	-1	584	407½	776	4.6	13.5
Bulmer (HP)	♣†	372½xd	-2	626	370	-	5.0	17.5
Burn St Dist	♣	35½	-	75½	35½	19	12.0	13.4
Diageo	♣N	588	-2	638½	[illegible]	6,886	3.2	17.3
Glenmorangie A	†	875xd	—	1040	840	-	1.9	20.9
B		905xd	—	1140	925	-	0.9	44.7
Highland	♣	285½	-1	380	280	15	3.9	13.3
5¼pc Cnv Bds		80xd	—	88½	85½	-	6.4	-
Kirin Y		481½	+15	654¼	416¼	-	1.2	-
Matthew Clark	♣‡	173xd	—	335	157	154	14.5	5.6
Merrydown	♣	57½	—	108½	49½	8	6.7	-
Seagram C$		£21⅞	+¼	£29⅞	£16⅞	-	1.3	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£22¼	—	*£27⅛	£21⅝	—	3.0	ϕ
Barlow	ϕ	84½	-½	£9.7	£4½	—	3.2	ϕ
Gold Flds Prop R		111½	+½	187	110½	—	7.2	9.2
SA Brews	†	£13½	+½	£22⅛	£13½	—	2.8	—
Standard Bank		225	+1¼	£30	£22¾	—	2.2	—
Tiger Oats		880	+30	1100	780	—	2.4	ϕ
Tongaat-Hulett		759½	+1	780	719½	—	2.3	ϕ

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRADIS		£52180d	—	£52400	£472	—	—	—

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and *warrants exercised if dilution occurs.*

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ *Merger bid or reorganisation in progress*
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
h Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

Footsie extends rally but closes below best

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The UK equity market's rehabilitation was taken a stage further yesterday, although stocks closed well below the day's highs.

Dealers remained cautious about short-term prospects, insisting that global markets were extremely nervous about events in Asia.

Once again, the good news driving London and other global stock markets started in the US on Tuesday and carried on into Asian markets, finally bringing out the buyers in Europe.

The Dow Jones Industrial Average added another 84 points on Tuesday, while Hong Kong, up almost 6 per cent, Singapore, up 7.5 per cent and Jakarta, 5.7 per cent higher, were the pick of the Asian markets.

There was, however, less good news for London stocks as the Dow came in mixed at the start of trading yesterday following a stronger-than-expected retail sales figure for last month.

International events outweighed some rather disturbing domestic economic data released yesterday, which caused a decline in gilts amid fears that another increase in UK interest rates might now be on the cards.

The losses in gilts, which showed longer dated issues down well over a full point, stemmed from a much stronger-than-expected employment report, a higher than forecast increase in underlying average earnings and from the minutes of the December meeting of the monetary policy committee.

At the close of a busy day in the market, the FTSE 100 index posted a 23.0 gain at 5,106.9, extending the rise over the past two sessions to 38.1. The index closed well below the day's best, 5,135.8, reached just before Wall Street kicked off.

Rises in the FTSE 250 and FTSE SmallCap were more muted, but both still managed to record useful rises. The 250 index put on 6.8 at 4,823.3 and the SmallCap 10.0 to 2,350.1.

Dealers were by no means disappointed with the level of turnover in equities yesterday, which continued to compare favourably with pre-Christmas activity. By 6pm turnover was 900m shares, the highest daily total this week.

There was no shortage of individual features in the market. Fears that the poor performance of Kingfisher's Comet electrical retailing division would see Dixons similarly affected, were confirmed by the latter, which accompanied its annual Christmas trading update with a profits warning that hit its share price.

Financial sectors were broadly higher, especially the banks, which reflected relief over the situation in Asia. But General Accident was among the FTSE 100's losers as the market took into account the company's exposure to the big freeze in Canada, described by some as the worst natural disaster in Canada's history and which, it is feared, will lead to heavy insurance claims.

On the upside, Cadbury Schweppes's deal with Coca Cola saw the shares rocket and Rio Tinto pleased the market by announcing its intention to buy back 10 per cent of its shares.

Flemings warns on Asia

By Martin Brice, Peter John, Joel Kibazo and Melanie Senior

Two of the worst performers in the FTSE 100 were **Rolls-Royce**, off 5 to 217p, and **British Aerospace**, down 41 to £16.54 on fears of a decline in aerospace orders from Asia.

The move was said to be sparked by news that Philippine Airlines planned to cancel orders for four Boeing B747-400 aircraft. The two stocks have also been highlighted in research from strategists at Robert Fleming Securities that pinpointed UK stocks most vulnerable to Asia.

David Bint at the broker has told clients: "The south east Asia crisis is likely to prove more acute and more long-lasting than the market expects."

He believes stocks vulnerable to currency movements include **Molins**, static at 298p after its 50 per cent underperformance of the market in the past five months; **Weir Group**, up 2 at 267½p; **Vickers**, down 1½ at 233½p and **Fairey Group**, up 1½ at 495p.

The research concluded that the biggest losers from a global slowdown would be Molins and **Rio Tinto**, up 15½ to 713p after announcing a share buy-back. Defensive stocks included **Tate & Lyle**, off 5 at 524p and **Smith & Nephew**, up 2 at 174½p.

Mr Bint added: "The full impact on earnings estimates is far from being discounted. Investors should continue to build weightings in defensive stocks."

Standard dips

Uncertainty about the exposure of **Standard Chartered** to problems in Asia saw the shares fall a further 19 to 543p.

Analysts are increasingly concerned about the quality of the bank's customers, following the collapse of Peregrine, the Hong Kong investment bank.

There is also a belief that Standard's most profitable returns are from countries where it has a strong hold on business but where the International Monetary Fund is now demanding increased competition.

Standard is just the most obvious casualty of Asian distress and Paribas, the French broker, yesterday issued warrants on the five European banks it believes most exposed to Asian risk.

The only UK bank in the basket was **Royal Bank of Scotland**, the others being BNP, Commerzbank, Dresdner, Société Générale. But the potential weakness in Royal Bank shares was offset by encouraging signals from Merrill Lynch.

Merrill added Royal Bank to its list of its 11 top Footsie choices, arguing that upgrades are continuing and the stock is on a low rating. The shares lifted 20 to 805p.

There was no hiding place for electrical goods retailer **Dixons** after it issued a profits warning for the full year and posted interim profits at the bottom end of market expectations.

Specialists had been bracing themselves for poor figures but one of their number said: "It was much, much worse than anyone had expected."

Dixons said full-year profits for the year to May 1998 will fall below market expectations. This accompanied first-half results that showed consumers had delayed spending over the Christmas period.

It revealed that retail sales for the eight weeks from November 16 to January 10 increased 8 per cent, but were 4 per cent lower on a like-for-like basis.

The shares fell, closing 58 or nearly 10 per cent down at 524p, by far the worst performer in the FTSE 100 with turnover a hefty 16m.

Analysts moved to downgrade profit expectations with Dresdner Kleinwort Benson said to be near the bottom of the range, having dropped from about £250m to £205m.

Tarmac was the worst performer in the FTSE 250 after a trading update prompted a series of broker downgrades. The stock lost 9¼ to 97½p.

One analyst said the company seemed to be pointing estimates downwards from the consensus of about £120m for 1997 to about £110m or £115m.

Analysts contrasted Tarmac's plight with the recent trading update from **Aggregate Industries**, which was easier at 53¾p after a trading update on Tuesday that talked of price increases and a recovery in volumes.

Traders suggested any further weakness in Tarmac's share price could prompt a bid as the recent takeover of Redland had shown there was a demand for aggregate businesses.

Confectionery and soft drinks group **Cadbury Schweppes** was easily the best performer after it said its US Dr Pepper/Seven Up unit had signed a long-term agreement with Coca-Cola Enterprises, which extends the period Coca-Cola will manufacture, sell and distribute Dr Pepper products.

The shares rose 52½ or 8.3 per cent to 685p with market specialists suggesting there was general relief that CCE is to continue supporting Dr Pepper and the group's other brands in the US. Volume was 7.9m. "Some of the risks have been dispelled," said one analyst.

Charter was off 7½ at 699½p after Merrill Lynch shifted its stance from "accumulate" to "neutral".

The biggest percentage gain in the market was chalked up by **Belgo**, the London restaurant group.

The shares, suspended in December, rose 3½ to 6½p. Belgo was last month reversed into Lonsdale Holdings, the former property dealing and development group, in a deal worth £9.8m.

Intelek, the electronics group, gained 2p to 17½p helped by a "buy" note from house broker Henderson Crosthwaite that focused on growth in the mobile communications market and cyclical recovery on the aerospace side.

BT hits fresh high

Shares in **British Telecommunications** hit a record high yesterday as a report raised hopes for its planned entry into broadcast services.

The shares gained 15¼ to 516½p in trade of 22m.

Merger speculation was said to be behind the advance seen in **Telewest Communications**. The shares gained 8 to 78p.

Oil majors **BP** and **Shell Transport** gained ground as NatWest Securities, the principal bull of the sector, published research arguing the recovery case. The broker remains convinced that, despite the economic problems in Asia, oil demand will pick up in the region this year.

The broker reinforced its positive recommendations on Shell and Lasmo and put BP back on the list of straight buys. Shell lifted 2¾ to 411¾p, BP 10 to 802½p and Lasmo 2 to 253½p.

FT 30 INDEX

	Jan 14	Jan 13	Jan 12	Jan 9	Jan 8	Yr ago	*High	*Low
FT 30	3268.9	3262.9	3283.9	3321.6	3375.2	2781.3	3430.3	2658.8
Ord. div. yield	3.44	3.44	3.38	3.38	3.32	4.16	4.22	3.29
P/E ratio net	21.09	21.09	21.44	21.44	21.63	17.11	22.33	15.8
P/E ratio nil	20.81	20.80	21.15	21.15	21.53	16.94	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3262.5	3282.8	3279.6	3282.6	3279.2	3280.2	3281.6	3270.5	3273.0	3285.3	3262.5

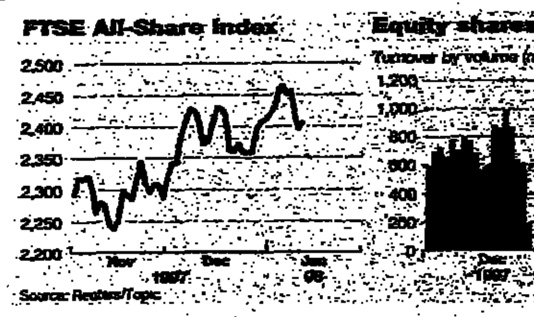
	Jan 14	Jan 13	Jan 12	Jan 9	Jan 8	Yr ago
SEAQ bargains	52,949	55,428	69,385	64,157	64,719	56,514
Equity turnover (£m)†	–	NA	2208.7	2315.4	2090.5	1552.9
Equity bargains†	–	NA	45,804	51,773	49,582	31,911
Shares traded (ml)†	–	NA	715.6	684.0	641.8	513.4

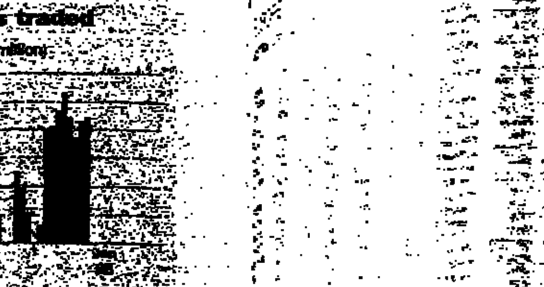
†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997/98.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,124	Total Highs	149	Total contracts	30,486
Total Falls	494	Total Lows	54	Calls	13,897
Same	1,416			Puts	16,589

Jan 14 *Data based on Equity shares listed on the London Share Service.





Indices and ratios

FTSE 100	5106.9	+23.0	FT 30	3268.9	+6.0
FTSE 250	4823.3	+6.8	FTSE Non-Fins p/e	20.11	20.07
FTSE 350	2461.9	+9.6	FTSE100 Fut Mar	5115.0	-8.0
FTSE All-Share	2406.42	+9.48	10 yr Gilt yield	6.11	6.06
FTSE All-Share yield	3.23	3.24	Long gilt/equity yld ratio	1.91	1.90

Best performing sectors		Worst performing sectors	
1 Telecommunications	+2.5	1 Retailers: General	-1.1
2 Extractive Inds	+1.9	2 Engineering	-1.1
3 Support Services	+1.4	3 Transport	-1.1
4 Food Producers	+1.1	4 Building Mats	-0.8
5 Property	+1.0	5 Water	-0.7

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5175.0	5132.0	+21.0	5180.0	5107.0	7737	60072
Jun	5180.0	5187.0	+21.0	5180.0	5180.0	1	41

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4907.0	+7.0			0	8440

■ FTSE 100 INDEX OPTION (LIFFE) (*5112) £10 per full index point

	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P
Jan	162	5½	112	9	78½	17½	38½	35	16	66	5	113	1½	163	1	213
Feb	303	130	264	126	232½	145½	200½	165½	171½	186½	144	211	120½	240	98	270
Mar	357½	168½	325	185½	293	204½	260½	224	228½	244	198½	268	175½	296	152½	324½
Apr	388½	198	367½	217½	336	237	305½	257½	274½	278	245	301	222½	329½	200½	358½
Jun†			465½	284			404½	322½			340	363½			289	418

Calls 2,132 Puts 1,255

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P
Jan	181	4½	135	9	91½	15	54½	28	27	50½	10½	84	3	126½	1½	174
Feb	318½	110	282	123	245½	138	214½	155	184	174	155½	195	128½	219	106½	245½
Mar	365½	162½	333½	178	301½	96	276½	214	241½	234½	215½	258	191½	283½	167½	308½
Jun	513	259			449	232			388½	328½			331½	368		
Sept†	622½	311			559½	343½			509	379			449½	418½		

Calls 6,602 Puts 8,441 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	35	93½	Abbey Nat Dublin §	93½		-	-	-	-
§140	F.P.	34.5	201½	148½	†BCO Techs	183½	+1	-	-	-	-
§65	F.P.	9.60	90	68	†Bond Intl Sftw	70½	+1	W-	-	-	19.6
-	F.P.	13.0	21½	15½	Bousted	19½		-	-	-	-
§25	F.P.	1.42	35½	29½	†General Inds	35½		-	-	-	-
135	F.P.	6.20	144½	139½	†Longmead	144½		L5.01	2.9	4.3	9.9
§110	F.P.	125.2	124½	105½	Marchpole	107½		R3.65	2.1	4.2	14.3
§126	F.P.	12.6	144½	137½	†Optoplast	144½		H3.07	3.4	2.7	11.3
§132	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	38.3	120½	110½	SCS Upholstery	120½	+1	L2.7	2.0	2.8	22.7
§	F.P.	170.8	107½	96½	Second Scot Natl	107	+¼	-	-	-	12.5
§	F.P.	101.4	101¼	99½	Do Zero Div Prf	101	-¼	-	-	-	-
*-	F.P.	3.31	113½	103½	Wyndham Mir	103½		u4.5	7.8	5.4	2.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 13	% chg on day	Jan 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	946.00	+6.1	891.23	1736.48	2.87	–	1907.49	891.23
■ Regional Indices								
Africa (15)	957.42	+3.0	929.96	2036.05	7.18	17.28	2333.56	921.78
Australasia (7)	1090.55	+3.3	1056.57	2015.37	3.05	14.81	2124.22	933.63
North America (12)	932.43	+7.8	864.86	1618.59	1.38	34.68	1780.66	864.86

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 14	Day's chge%	Jan 13	Jan 12	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5106.9	+0.5	5083.9	5058.8	4158.9	3.18	2.63	2.07	19.02	1.37	2205.39
FTSE 250	4823.3	+0.1	4816.5	4799.6	4560.0	3.47	2.87	1.84	19.56	1.71	2043.08
FTSE 250 ex IT	4865.8	+0.1	4861.4	4846.4	4611.0	3.58	2.96	1.89	18.53	1.43	2068.14
FTSE 350	2461.9	+0.4	2452.3	2444.7	2066.3	3.24	2.68	2.02	19.12	0.70	2172.55
FTSE 350 ex IT	2465.8	+0.4	2456.2	2449.0	-	3.25	2.69	2.03	18.91	0.67	1116.02
FTSE 350 Higher Yield	2465.9	+0.5	2453.9	2452.0	1993.5	4.16	3.47	1.89	15.89	0.48	1853.01
FTSE 350 Lower Yield	2472.5	+0.3	2465.3	2451.9	2145.5	2.30	1.87	2.26	24.12	0.93	1778.46
FTSE SmallCap	2350.15	+0.4	2340.11	2329.23	2267.20	3.07	2.47	1.58	25.82	0.98	2022.24
FTSE SmallCap ex IT	2357.42	+0.4	2348.53	2340.96	2279.64	3.24	2.62	1.65	23.39	0.77	2047.96
FTSE All-Share	2406.42	+0.4	2396.94	2389.32	2040.16	3.23	2.66	1.99	19.45	0.70	2155.33
FTSE All-Share ex IT	2412.25	+0.4	2402.86	2395.71	-	3.25	2.69	2.01	19.12	0.67	1111.42

■ FTSE Actuaries Industry Sectors

	Jan 14	Day's chge%	Jan 13	Jan 12	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4336.16	+0.9	4295.39	4235.14	4002.02	3.60	2.95	1.81	19.19	0.00	1963.04
12 Extractive Industries(5)	2836.34	+1.9	2782.39	2817.35	3888.91	4.98	4.39	1.88	13.36	0.00	874.23
15 Oil, Integrated(4)	4800.27	+0.9	4756.00	4667.79	4130.65	3.62	2.93	1.77	19.48	0.00	2236.51
16 Oil Exploration & Prod(13)	3371.46	-0.1	3374.68	3361.78	3473.41	1.67	1.38	2.32	32.23	0.00	2074.17
20 GEN INDUSTRIALS(229)	1945.57	-0.5	1954.50	1966.60	1997.42	3.94	3.36	2.01	15.81	0.22	1127.52
21 Construction(38)	1300.17	+0.1	1298.89	1291.05	1253.73	3.56	2.88	2.24	15.68	0.44	1146.25
22 Building Matls & Merchs(27)	1667.99	-0.8	1681.47	1712.37	1803.07	4.57	3.76	1.93	14.17	0.46	884.16
23 Chemicals(27)	2479.22	-0.3	2486.48	2491.55	2315.72	4.21	3.64	1.65	18.05	0.08	1250.91
24 Diversified Industrials(11)	1248.66	-0.3	1252.50	1247.12	1455.56	4.59	4.19	2.24	12.15	0.00	755.79

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
3i†	256	510	-4
AMVESCAP†	1,100	480	+7
ASDA Group†	6,000	187½	+3
Abbey National†	1,300	1124	+12
Airtours	552	1335	+35
Alliance & Leicester†	998	819	+5

■ Hourly movements

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 14 / Sch)

BELGIUM/LUXEMBOURG (Jan 14 / Frs.)

CZECH REP (Jan 14 / Korun)

DENMARK (Jan 14 / Kr)

FINLAND (Jan 14 / Mka)

FRANCE (Jan 14 / Frs.)

GERMANY (Jan 14 / Dm.)

GREECE (Jan 14 / Drachma)

ITALY (Jan 14 / Lira)

NETHERLANDS (Jan 14 / Fls.)

NORWAY (Jan 14 / Kroner)

POLAND (Jan 14 / Zloty)

PORTUGAL (Jan 14 / Escudo)

SPAIN (Jan 14 / Pts.)

SWEDEN (Jan 14 / Kronor)

SWITZERLAND (Jan 14 / Frs.)

TURKEY (Jan 14 / Tk Lira)

PACIFIC

JAPAN (Jan 14 / Yen)

AUSTRALIA (Jan 14 / AustS)

HONG KONG (Jan 14 / H.K.$)

INDONESIA (Jan 14 / Rupiah)

MALAYSIA (Jan 14 / MYR)

NEW ZEALAND (Jan 14 / NZ $)

SINGAPORE (Jan 14 / S$)

SOUTH KOREA (Jan 14 / Won)

TAIWAN (Jan 14 / TW $)

THAILAND (Jan 14 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 14 / Can $) 2:30 pm

MONTREAL (Jan 14 / Can $) 2:30 pm

AFRICA

SOUTH AFRICA (Jan 14 / Rand)

Emerging markets: IFC Investable indices

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 13 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 12 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	193.43	1.7	175.62	161.19	183.15	199.14	0.8	3.61	190.26	174.29	160.04	179.67	197.56	243.87	190.26	216.88
Austria (23)	181.60	-0.1	164.86	151.34	171.95	171.81	0.0	1.93	181.88	166.62	152.99	171.95	171.81	213.59	175.14	168.67
Belgium (26)	253.67	1.3	230.32	211.38	240.19	235.06	1.5	2.93	250.39	229.38	210.62	236.72	231.62	283.33	227.73	230.50
Brazil (36)	218.44	2.0	198.52	180.37	204.94	445.46	1.9	1.85	212.21	194.40	178.50	200.62	437.13	322.44	184.94	199.66
Canada (122)	201.64	1.3	183.08	168.04	190.93	209.38	1.3	1.90	199.10	182.39	167.48	188.23	206.71	233.66	178.27	185.62
Denmark (32)	449.48	2.5	408.09	374.57	425.59	424.01	2.7	1.21	438.44	401.65	368.81	414.51	412.96	464.94	348.27	358.30
Finland (28)	273.52	2.2	248.34	227.94	258.99	316.69	2.4	1.98	267.59	245.14	225.10	252.99	309.33	349.43	243.25	257.09
France (83)	228.39	1.4	207.36	190.33	216.26	218.49	1.6	2.44	225.24	206.33	189.46	212.94	215.10	248.23	209.81	212.19
Germany (58)	222.16	1.6	201.71	185.14	210.36	210.36	1.8	1.41	218.59	200.25	183.87	206.66	206.86	243.87	184.23	188.95
Hong Kong, China (66)	281.66	-7.2	255.93	234.90	266.90	280.40	7.2	5.70	262.93	240.87	221.17	248.58	261.53	580.03	262.93	498.66
Indonesia (27)	38.54	18.2	34.99	32.11	36.49	204.49	18.6	3.29	32.60	29.87	27.43	30.83	180.02	254.90	29.44	237.31
Ireland (16)	410.18	3.6	372.42	341.82	388.39	420.76	3.3	2.35	395.96	362.75	333.09	374.36	407.42	414.74	316.20	328.31
Italy (53)	123.73	0.9	112.34	103.11	117.15	165.52	1.0	1.48	122.67	112.37	103.18	115.97	163.84	124.08	83.01	91.16
Japan (481)	89.43	1.0	81.20	74.53	84.68	74.53	0.1	1.07	88.52	81.10	74.47	83.69	74.47	141.12	88.52	120.71
Malaysia (107)	120.14	5.8	109.08	100.11	113.75	212.39	4.4	3.42	113.56	104.03	95.52	107.36	203.37	660.85	113.58	618.07
Mexico (26)	1587.80	0.7	1441.43	1323.01	1503.24	14158.88	-0.6	1.72	1576.56	1444.28	1326.17	1490.49	14246.58	1901.96	1306.94	1306.94
Netherlands (19)	398.58	1.9	361.89	332.16	377.41	378.32	2.1	2.25	391.03	358.22	328.93	369.69	365.65	440.67	326.45	328.68
New Zealand (14)	72.05	0.8	65.42	60.04	68.22	66.80	0.4	4.62	71.49	65.49	60.14	67.58	66.56	96.47	71.49	93.52
Norway (38)	287.56	2.1	261.08	239.63	272.28	294.26	2.3	2.06	281.62	257.99	236.89	266.25	287.64	374.64	281.62	310.71
Philippines (22)	62.12	3.9	56.40	51.76	58.82	134.81	3.3	1.36	59.80	54.79	50.31	56.54	130.54	214.07	57.54	208.49
Singapore (42)	161.89	12.4	146.98	134.90	153.28	132.04	10.2	2.43	144.01	131.93	121.14	136.15	119.79	448.01	144.01	421.96
South Africa (43)	232.64	2.2	211.22	193.87	220.26	253.02	1.9	3.34	227.66	208.56	191.50	215.23	248.32	370.12	227.66	323.99
Spain (33)	277.69	1.2	252.13	231.41	262.94	324.62	1.4	2.14	274.42	251.39	230.84	259.44	320.26	281.72	206.12	225.67
Sweden (48)	441.33	0.3	400.70	367.78	417.88	524.34	0.1	1.98	439.98	403.06	370.11	415.96	523.71	538.94	405.00	426.66
Switzerland (31)	330.56	1.6	300.12	275.47	312.99	302.89	1.7	1.11	325.49	298.18	273.80	307.72	297.78	343.44	231.69	235.17
Thailand (39)	14.21	8.5	12.91	11.85	13.46	30.74	6.7	9.98	13.10	12.00	11.02	12.38	28.82	103.44	13.10	97.45
United Kingdom (212)	326.21	1.2	296.18	271.84	308.88	296.18	0.3	3.33	322.35	295.30	271.15	304.75	295.30	337.99	271.72	275.66
USA (636)	388.14	1.4	352.40	323.45	367.51	388.14	1.4	1.61	382.78	350.66	321.99	361.88	382.78	401.22	299.79	309.28
Americas (817)	351.56	1.4	319.19	292.97	332.88	296.79	1.4	1.63	346.72	317.63	291.66	327.80	292.75	365.75	274.59	283.25
Europe (701)	283.09	1.4	257.03	235.91	268.05	271.30	1.1	2.37	279.29	255.85	234.93	264.04	268.30	296.25	236.09	237.94
Nordic (147)	392.95	1.1	356.78	327.47	372.08	407.02	1.1	1.65	388.51	355.91	326.81	367.31	402.57	464.93	355.77	371.66
Pacific Basin (872)	97.07	1.8	88.13	80.89	91.91	82.13	0.9	1.80	95.32	87.32	80.18	90.12	81.36	158.99	95.32	141.26
Euro-Pacific (1573)	174.64	1.5	158.56	145.53	165.36	153.36	1.1	2.18	172.03	157.59	144.71	162.64	151.73	209.12	172.03	181.50
North America (761)	376.14	1.4	341.51	313.46	356.16	376.04	1.4	1.62	370.87	339.84	312.05	350.72	370.86	389.57	292.34	302.49
Europe Ex. UK (489)	253.67	1.5	230.32	211.40	240.19	250.94	1.6	1.82	250.03	229.05	210.32	236.38	247.01	267.07	210.93	212.56
Pacific Ex. Japan (391)	169.20	4.9	153.62	141.00	160.21	175.22	4.2	4.48	161.31	147.78	135.69	152.51	168.09	320.65	161.31	313.64
World Ex. US (1794)	177.94	1.5	161.56	148.29	168.49	159.34	1.1	2.17	175.30	160.59	147.45	165.73	157.84	212.89	175.30	184.45
World Ex. UK (2221)	238.14	1.5	216.21	198.45	225.49	218.43	1.4	1.71	234.66	214.97	197.39	221.85	215.50	262.69	211.16	219.11
World Ex. Japan (1952)	323.58	1.5	293.79	269.66	306.39	319.57	1.4	1.99	318.78	292.03	268.15	301.38	315.28	344.35	271.90	277.09
The World Index (2433)	245.60	1.4	222.98	204.67	232.55	225.44	1.2	1.88	242.08	221.77	203.63	228.87	222.67	268.47	216.61	223.94

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FT Free Annual Reports Service

3.30 pm January 14

NEW YORK STOCK EXCHANGE PRICES

- A -

1997/98 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
47¼	24¾	AAR	0.48	1.1	22	1115	42	41⅝	42	[illegible]
56⅞	33⅜	AMP	1.04	2.6	30	17732	42	39⅞	39⅞	[illegible]
133¾	76¾	AMR			12	5807	129¾	127⅜	128⅝	[illegible]
37⅞	19	ASA	1.20	5.9	23	473	20⅞	20	20¼	[illegible]
70⅞	48	AbbtL x	1.08	1.5	26	7773	70¼	69¾	69⅞	[illegible]
20½	11⅜	Abitibi	0.40	3.4	E	2238	12	11¾	11¾	[illegible]
31½	17½	ABM Ind x	0.48	1.7	22	225	29⅞	[illegible]	29¾	[illegible]
28⅞	17¾	Acceptin			11	75	23⅝	23⅛	23⅛	[illegible]
101⅞	56⅝	ACE Ltd x	0.96	1.0	11	476	95¾	93⅝	95¾	+1⅜
11⅛	10	ACM Gvt In x	0.90	7.9	12	154	11⅛	11⅛	11⅛	[illegible]
8⅛	7	ACM GvOpp x	0.60	7.5		358	8⅛	8	8⅛	[illegible]
10½	9¼	ACM Man x	0.90	8.5		149	10⅝	10½	10⅝	[illegible]
13⅜	4⅞	Acme Elect				97	5	4½	4⅞	[illegible]
23	8½	Acme Mts				23	9⅛	8¾	9	[illegible]
24⅝	14	ACNielsen			17	3073	21⅛	20¾	20⅞	[illegible]
29⅞	15⅞	Acuson			45	382	17⅞	17⅜	17⅞	[illegible]
25½	19⅞	Adams Exp	3.55	2.3	1	227	20⅜	20⅛	20⅛	[illegible]
46⅛	17⅞	AdvMic				12242	19⅞	18¼	19⅛	[illegible]
27½	19⅝	Advest Grp x	0.12	0.5	16	106	22⅞	22¼	22⅞	[illegible]
23⅞	11⅞	Advo Inc			17	106	19⅝	19⅛	19⅛	[illegible]
94⅞	61⅞	Aegon♣	1.31	1.4	26	312	95⅛	94⅞	95	+¾
12⅛	3⅛	Aeroflex				527	9⅛	9⅛	9⅛	[illegible]
57½	32	AeroQ	0.80	1.7	14	725	46½	45⅞	46⅛	[illegible]
49⅝	24	AES Corp				512	44⅞	43⅞	44½	[illegible]
118⅞	66⅞	Aetna	0.80	1.1	34	2730	73⅜	69⅞	70⅜	[illegible]
37	19⅞	AffCom			22	1401	36⅛	35⅛	35⅞	[illegible]
57⅞	37½	Aflac♣	0.46	1.0	10	1821	47⅞	47⅛	47⅞	[illegible]
35⅞	19⅞	AGCO	0.04	0.1	11	2254	30	28⅞	30	+1⅛
21⅞	17⅞	AGL Res	1.08	5.5	14	674	19⅞	19⅝	19⅞	[illegible]
98	22	Ahmson	0.88	1.5	15	4236	57	55⅝	56⅞	+1⅛

- X - Y - Z -

1997/98 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
27⅞	20¾	Yankee Egy	1.34	5.3	15	92	25⅞	25	25⅞	[illegible]
56	37⅞	York Int	0.48	1.3	13	1313	37⅞	37⅜	37⅞	[illegible]
9¾	4	Zapata	0.28	4.2	55	91	6⅞	6⅝	6⅞	[illegible]
13⅜	5⅛	ZenithEl				6344	6⅞	6	6⅞	+1⅛
28⅞	24⅝	Zenith Nat	1.00	4.0	14	158	25⅛	24½	24⅞	[illegible]
9⅞	7⅛	Zweig Inc	0.76	8.2		30	8⅞	8⅞	8⅞	[illegible]
32⅞	17¾	Zero	0.12	0.5	16	533	25⅞	25⅞	25⅞	[illegible]
14	10½	ZweigFd♣	1.24	9.5		198	13	12⅞	13	[illegible]
9¾	8	Zweig Tot	0.84	8.8		363	9⅝	9½	9⅝	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

♦ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	7732.13	7647.18	7580.42	8259.31 (6/8/97)	6391.69 (11/4/97)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.37	105.40	105.27	105.40 (12/1/98)	101.09 (14/4/97)	105.40 (12/1/98)	54.99 (1/10/81)
Transport	3255.66	3233.02	3184.36	3358.27 (15/10/97)	2222.07 (2/1/97)	3358.27 (15/10/97)	13.23 (8/7/32)
Utilities	268.04	265.87	262.66	272.01 (30/12/97)	209.47 (25/4/97)	272.01 (30/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7791.17 (7706.22) Low 7610.31 (7391.59) (Theoretical♦)
Day's High 7733.12 (7652.66) Low 7645.69 (7443.41) (Actual♦)

Standard and Poors	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	952.12	939.21	927.69	983.79 (5/12/97)	737.01 (2/1/97)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials♥	1108.88	1093.52	1077.40	1148.82 (7/10/97)	865.42 (11/4/97)	1148.82 (12/12/97)	3.52 (30/6/32)
Financial♥	112.50	110.71	110.85	120.83 (8/12/97)	80.75 (2/1/97)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	497.75	491.61	487.47	514.31 (5/12/97)	389.47 (11/4/97)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	655.88	646.41	650.24	721.90 (7/10/97)	541.20 (28/4/97)	721.99 (7/10/97)	524.20 (16/7/96)
NASDAQ Comp	1541.89	1507.58	1509.22	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	418.44	410.69	412.95	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.38 (7/12/93)

RATIOS

	Jan 9	Jan 2	Dec 26	Year ago
Dow Jones Ind. Div. Yield	1.81	1.72	1.79	1.98
	Jan 7	Dec 31	Dec 24	Year ago
S & P Ind. Div. yield	1.49	1.49	1.55	1.85
S & P Ind. P/E ratio	25.98	26.04	25.05	23.00

US DATA

MARKET ACTIVITY

● Volume (million)

	Jan 13	Jan 12	Jan 9
NYSE	648.470	705.450	751.701
Amex	28.419	37.439	26.927
NASDAQ	749.841	706.229	820.007

NYSE	Jan 13	Jan 12	Jan 9
Issues Traded	3,443	3,474	3,464
Rises	2,117	1,307	560
Falls	861	1,708	2,513
Unchanged	465	458	391
New Highs	94	92	95
New Lows	50	214	169

NYSE TRADING ACTIVITY — Volume : 648,470,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Seagate Tech	12,814,400	19¾	+1⅛
AT&T	11,087,200	63⅞	+2¼
Micron Tech	8,213,400	31⅞	+3
Compaq	6,212,200	58¼	+3
Ph Morris	5,753,000	47⅞	+1½
Texas Instr	5,857,200	47	+4¼
Medpartners	5,004,100	7⅞	-½
Motorola	4,998,800	57½	+2¼
Nationsb.	4,832,500	58⅞	-⅛
Gen Elect	3,960,700	74⅞	+⅛

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
EMC	28¼	+3⅛	+12.2
Bay Ntwrk	28⅞	+3	+11.8
Texas Instr	47	+4½	+10.6
Ft James	39⅞	+3⅛	+8.4
Downs			
Unit Auto	20	-2¼	-10.1
RMI Titanium	22	-1¾	-7.4
Sea Cont A	27½	-1⅝	-8.4
Consol Grph	35⅞	-2¼	-5.8

NASDAQ TRADING ACTIVITY — Volume :749,841,000

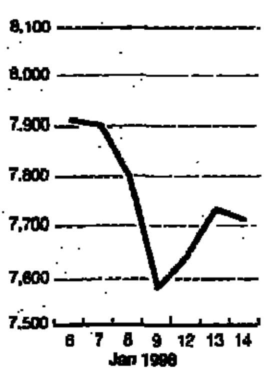
ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Intel	23,671,100	76⅞	+1⅞
Oracle	21,569,600	19⅞	+1⅛
Corp Exp	16,832,700	8⅞	-3
Applied Mag	14,687,000	29⅞	+1⅞
3Com	11,548,700	31⅞	+2⅛
Dell Comp	11,175,500	88⅞	+2¼
Ascend Com	11,119,400	26¾	+1⅞
US Office	10,680,300	30⅞	+2⅞
Cisco Sys	10,392,700	56	+⅛
Paycor	9,536,400	20⅞	+1⅞

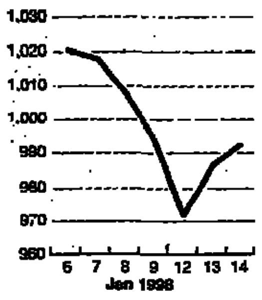
BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
ILX Resorts	5¼	+4¼	+425.0
Comp Lang	22⅛	+8⅛	+61.4
Geron Crp	14⅞	+4⅞	+43.7
Bird Corp	19	+5	+35.7
Neorex A	17¾	+3⅞	+26.2
Downs			
Viran Crp	2⅞	-3¾	-63.8
Versant Obj	5⅞	-4⅞	-45.3
Mid Bay Oil	5¼	-2¼	-32.5

Dow Jones



FTSE Eurotop 300



JAPAN

	Jan 14	Jan 13	Jan 12	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	15121.98	14755.94	14664.44	20681.1	14664.4	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 409,000,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Yamaichi Sec	22,595,000	1	
Nippon Steel	17,402,000	150	+2
Sumitomo Mtl	7,581,000	154	+1
Fujitsu	5,720,000	1450	+60
IBJ	5,704,000	854	+76
LTCB	5,505,000	200	+11
Sakura Bk	4,989,000	353	+18
Bk. Tk.-Mitsbi	4,834,000	1740	+80
Fuji Bk	4,560,000	584	+30
Mitsubishi El	4,311,000	288	-15

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Toyo Chem	420	+75	+21.7
Maruzen Sh	220	+32	+17
Osaki Elec	311	+45	+16.9
Nihon Kotetsu	255	+32	+14.4
Downs			
Silver Seiko	71	-8	-10.1
Maspro Dnkh	797	-88	-9.9
Kayaba Ind	200	-20	-9.1
Nemic Lmbda	1520	-150	-8.9

FRANCE

	Jan 14	Jan 13	Jan 12	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	2919.80	2902.93	2862.54	3094.01	2256.97	3094.01	984.61

PARIS TRADING ACTIVITY — Volume : 380,985,810

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Fr Telecom	2,474,570	237.6	+0.6
Paribas	1,238,232	524	+10
Pin-Prntmp	1,185,585	292.4	+8.4
BNP	1,023,125	278.9	-6.1
Michelin	984,759	295.8	+5.8
Ass.Gn Frnce	953,358	318.9	+1.1
Axa-UAP	821,197	459	+8.3
Elf Aquitne	809,612	632	+4
Usinor	805,536	78.4	+1.45
Total	734,834	598	+16

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Sport Elct	86.5	+8	+10.2
Sopra	759	+70	+10.2
Sagem	1522	+137	+9.9
Dauphin OTA	491	+35	+7.9
Downs			
CMM Inds	10.8	-2.2	-16.9
Laurent Boul	249	-43	-14.9
SEB	751	-67	-8.2
SCAC Delmas	1065	-84	-7.3

GERMANY

	Jan 14	Jan 13	Jan 12	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	4190.08	4159.40	4087.28	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 21,743,805

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
IG Farben	1,420,000	2.51	-0.07
Deut.Tlkm	1,119,735	31.3	+0.05
Deut. Bank	967,511	113.3	+0.70
Commzbk	687,388	66.7	-0.20
Bayer	667,991	64.78	-1.82
Siemens	658,969	105.2	-1.56
Dresdnr Bank	609,071	78.7	+0.15
Hoechst	389,893	65.8	+0.15
BASF	377,287	62.95	+0.15

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Babcock BSH	105	+9	+9.4
Beta Systems	159	+10.5	+7.1
Kiekert	74.75	+4.75	+6.8
Ser Systeme	148.2	+8.2	+5.9
Downs			
KM Moebel	14.05	-0.75	-5.1
KSB	363	-17	-4.5
Wuertt Vsbk	765	-125	-4.3
MAN	483.5	-21.5	-4.3

UK

	Jan 14	Jan 13	Jan 12	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5106.9	5083.9	5068.8	5330.8	4056.6	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 895,000,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
GEC	46,039,470	391	
Burton	24,608,820	144½	+4
BT	22,580,690	516½	+15½
Emerald Engy	17,806,050	8	
Doonc	16,263,370	524	-58
Centrica	14,821,700	98	
BP	11,276,510	802½	+10
BTR	10,879,170	169	-½
Bunzl	9,759,674	234	+1
Vodafone	9,490,413	440	+10

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Riverview	105	+17½	+20
Omnimedia	1½	+¼	+20
Superscape	112½	+18	+19.1
Mthn Rcrtmnt	172½	+24	+16.2
Downs			
Utd Carrier	49	-22	-31
ABI Leisure	19	-3	-13.6
Bolton Intl	3½	-½	-12.5
Langdons Fd	1¾	-¼	-12.5

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	960.00	962.50	+3.00	966.20	959.70	118,641	382,569
Jun	-	969.10	-	-	-	484	10,213

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	15070.0	15140.0	+350.0	15180.0	14980.0	16,866	167,582
Jun	15000.0	15080.0	+460.0	15080.0	15000.0	42	31,449

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2934.0	2929.0	+23.0	2959.0	2915.0	16,135	40,979
Feb	2942.0	2937.0	+23.0	2957.5	2931.5	1,091	2,690
DAX							
Mar	4247.0	4166.5	-12.5	4249.0	4162.0	25,716	68,052
Jun	4271.0	4193.5	-14.5	4271.0	4192.0	1,521	9,254

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2320.00	2348.00	+70.00	2358.00	2320.00	9,336	22,557
Feb	2331.25	2357.00	+40.00	2369.00	2331.25	2,312	2,862
SOFFEX							
Jan	6252.8	6150.0	-21.0	6252.8	6144.0	12,190	13,203
Mar	-	6162.0	-20.0	-	-	17	438

WORLD MARKETS AT A GLANCE

Country	Index	Jan 14	Jan 13	Jan 12	1997/98 High	1997/98 Low	✣ Yield	✣ P/E
Argentina	General	20625.75	20768.12	19946.93	25771.30 22/10/97	18237.40 2/1/97	3.76	17.4
Australia	All Ordinaries	2605.3	2565.3	2542.4	2779.20 25/9/97	2289.20 28/10/97	3.45	18.5
	All Mining	570.0	532.2	556.5	987.10 24/2/97	541.10 27/11/97		
Higher commodity prices and Rio Tinto's buyback plan helped index to recover all of Monday's losses.								
Austria	Credit Aktien	439.36	437.44	438.50	474.42 2/10/97	374.46 9/1/97	2.05	13.4
	Traded Index	1255.38	1245.59	1248.15	1486.48 31/7/97	1138.22 9/1/97		
Austria Tabak led gainers with 4.4 per cent jump after announcing record cigarette sales for 1997.								
Belgium	BEL20	2452.44	2441.84	2404.95	2621.90 28/7/97	1871.05 2/1/97	2.18	17
Low interest rates propped up Electrabel while Generale Bank, a focus of Asia-related worries, gave back early advance.								
Brazil	Bovespa	9398.0	9416.0	9227.0	13617.00 8/7/97	6955.50 2/1/97	0.65	na
‡Interest in Telebrás muted in spite of news that the telecoms leader plans to release its 1997 results next Monday.								
Canada	TSE 100♦	385.07	385.20	380.03	430.48 7/10/97	342.12 11/4/97	1.98	18.9
	Metals Mnls♦	3507.94	3475.07	3442.35	5891.75 10/3/97	3442.35 12/1/98		
	Composite♦	6336.00	6329.59	6239.96	7289.98 7/10/97	5679.38 14/4/97		
	Portfolio§§	3288.73	3281.66	3234.41	3547.99 7/10/97	2948.82 11/4/97		
‡Market muted, taking direction from New York and paying scant heed to the continued rally for heavyweight gold sector.								
Chile	IPA Gen♥	4390.04	4404.30	4443.06	5886.71 4/7/97	4404.30 13/1/98	3.01	14.2
China	Shanghai B	45.47	43.01	40.89	98.21 7/5/97	40.89 12/1/98	0.85	50.4
	Shenzhen B	83.22	79.81	77.98	184.20 6/5/97	77.98 12/1/98		
Continued foreign and domestic speculative buying drove markets higher, supported by strong recovery in Hong Kong.								
Colombia	IBB	1403.17	1416.73	(c)	1533.72 16/10/97	844.41 2/1/97	na	na
Czech Republic	PX 50	464.7	465.8	467.4	629.08 25/2/97	458.50 1/12/97	na	na
Renewed downward pressure on banking shares led market downon worries over provisions against 1997 earnings.								
Denmark	CopenhagenSE	685.84	678.21	667.86	708.08 6/1/98	470.14 2/1/97	1.24	22.1
Leading banks led another day of solid recovery. Copenhagen Airports weak on "underperform" rating from Goldman Sachs.								
Egypt	Cairo SE Gen	357.04	359.83	357.72	359.83 13/1/98	- -	na	na
Shares finished flat after day of active trading, encouraged by recent falls in prices.								
Finland	HEX General	3372.38	3286.13	3220.43	3898.81 22/10/97	2493.26 2/1/97	2.39	13.9
Nokia led market higher, encouraged by overnight report from Intel in US and recovery in Asian markets.								
France	SBF 250	1913.42	1901.72	1873.10	2003.43 31/7/97	1533.19 2/1/97	2.61	18.7
	CAC 40	2919.80	2902.93	2862.54	3094.01 3/10/97	2256.97 2/1/97		
Shares lifted by the firming dollar and day of two rally in Asian markets.								
Germany	FAZ Aktien	1369.17	1355.15	1334.15	1481.44 31/7/97	986.21 2/1/97	1.42	20.1
	Commerzbank	4021.60	3984.10	3926.20	4336.78 31/7/97	2875.90 2/1/97		
	DAX‡	4190.08	4159.40	4087.28	4438.93 31/7/97	2848.77 2/1/97		
Market pulled back from its best levels as a faltering Dow overcame the benefits of a stronger dollar.								
Greece	Athens SE	1426.08	1426.14	1405.37	1794.14 8/10/97	954.54 2/1/97	3.09	14.9
	FTSE/ASE 20	792.21	794.89	786.30	998.85 10/12/97	769.09 17/11/97		
Sentiment dampened when Bank of Greece effected squeeze in interbank liquidity, reversing earlier easing in drachma.								
Hong Kong	Hang Seng	9226.55	8720.00	8121.06	16673.28 7/8/97	8121.06 12/1/98	4.29	8.5
	HSCC Red Chip	1093.57	1007.28	964.60	4119.55 27/8/97	964.50 12/1/98		
Firmer regional markets and technical buying pushed the index up 5.8 per cent.								
Hungary	Bux	7681.40	7513.76	7280.79	9483.80 6/8/97	4281.30 6/1/97	na	na
Shares up more than 2 per cent in a continuing recovery from Monday's 9 per cent tumble.								
India	BSE Sens.	3400.79	3431.72	3395.04	4548.02 5/8/97	3225.24 2/1/97		
	Crisil 500	631.05	634.07	648.50	843.28 5/8/97	615.29 12/12/97	na	na
Share prices hurt by foreign fund and local speculative selling after rupee sank to all-time low.								
Indonesia	Jakarta Comp.	403.98	382.14	350.23	740.83 8/7/97	339.53 15/12/97	2.79	11.9
Market closed 5.7 per cent up in heavy volume after hopes that post-IMF economic reforms were in the pipeline.								
Ireland	ISEQ Overall	4273.57	4246.43	4145.44	4303.84 7/1/98	2725.07 2/1/97	2.05	20.2
Israel	Mishtanim 100	(u)	269.28	264.07	311.79 6/8/97	214.35 2/1/97	na	na
Market shed early gains amid rumours that a major investor had sold shares and bought dollars.								
Italy	BCI Comit 30	266.42	264.61	261.77	266.42 14/1/98	155.74 2/1/97	1.7	22.9
	Banca Com Ital	1132.79	1125.47	1098.68	1132.78 14/1/98	690.42 2/1/97		
	Mibtel General	18027.0	17859.0	17633.0	18027.00 14/1/98	10488.00 2/1/97		
Shares closed at new high but mood soured by prime minister's comment that Asian crisis was serious for Italy's economy.								
Japan	Nikkei 225	15121.98	14755.94	14664.44	20681.18 16/6/97	14664.40 12/1/98	1	38.8
	Nikkei 300	231.51	224.94	224.85	303.71 26/7/97	224.85 12/1/98		
	Topix	1149.11	1121.62	1120.61	1560.28 26/6/97	1120.61 12/1/98		
	2nd Section	1173.76	1174.15	1185.02	1848.25 30/6/97	1160.55 24/12/97		
Sentiment improved after banks responded positively to the government's financial stability plans.								
Jordan	Amman SE	166.84	167.29	(c)	167.29 14/1/98	- -	na	na
Bourse lower in generally depressed activity in continued absence of investor interest.								
Malaysia	KLSE Comp.	536.68	503.89	477.57	1271.57 25/2/97	477.57 12/1/98	3.25	9.6
Shares rallied 6.5 per cent in heavy volume with renewed interest from foreign buyers.								
Mexico	IPC	4656.25	4673.55	4686.89	5369.48 21/10/97	3359.46 2/1/97	1.18	14.5
‡Market recouped some of Tuesday's losses, which followed rumours about ill health of Carlos Slim, chairman of Telmex.								
Morocco	CASA	668.88	668.74	670.28	899.75 23/4/97	451.90 3/1/97	na	na
Leading stocks little changed after quiet day's trade.								
Netherlands	CBS TtlRtnGen	1080.2	1067.8	1045.2	1184.60 7/8/97	730.80 2/1/97	2.16	21
	CBS All Shr	619.2	612.2	599.2	684.40 7/8/97	429.00 2/1/97		
Market broadly higher on another solid day for the dollar and financials.								
New Zealand	Cap. 40	2236.40	2214.52	2212.83	2635.48 22/10/97	2162.01 28/10/97	4.08	3.1
Took lead from strong US finish. Telecom rose 2 per cent, accounting for almost half the turnover.								
Nigeria	SE All-Share	6428.99	6425.79	6416.18	6428.99 14/1/98	- -	na	na
Gains in country's largest brewery and cigarette maker, beneficiaries of last week's budget, took broad market higher.								
Norway	Oslo SE Ind	1983.80	1955.32	1907.13	2287.56 22/10/97	1639.03 2/1/97	1.78	14
Strong information technology and shipping stocks helped market higher, but oil price worries kept lid on advance.								
Pakistan	Karachi SE	1517.36	1531.98	1502.20	2067.98 22/10/97	1341.31 7/1/97	na	na
Signs of a rally fizzled out after S&P's revised the country's foreign currency ratings from "stable" to "negative".								
Peru	Lima Gen	1655.30	1661.31	1657.23	2269.40 10/7/97	1429.78 2/1/97	na	na
Philippines	Manila Comp	1686.22	1590.99	1532.97	3447.60 3/2/97	1518.00 9/1/98	1.42	10.3
A steadier peso and the rising regional bourses helped the index chalk up a 6 per cent gain.								
Poland	WIG	13693.9	13531.3	13228.8	18339.40 18/2/97	13228.80 12/1/98	0.93	13.4
Shares extended Tuesday's gains but low turnover and strong late selling signalled a weak performance today.								
Portugal	BVL 30	3984.02	3962.38	3911.62	3992.42 6/1/98	2165.57 2/1/97	1.11	37.7
	PSI 20	9285.39	9235.10	9115.98	9294.05 6/1/98	5152.34 2/1/97		
Institutional demand sent Telecel up 5.2 per cent, after stock's recent pull-back from all-time high.								
Russia	RTS	338.42	341.76	319.02	571.66 6/10/97	213.38 6/1/97	na	na
Shares gave up morning gains as investors remained concerned over outlook for Asia.								
Singapore	SES All-S'pore	366.38	353.53	324.92	573.03 17/2/97	324.92 12/1/98	2.5	14
	Straits Times	1243.27	1156.52	1073.47	2271.88 20/1/97	1073.47 12/1/98		
Rumours of a loan default by a major property group sparked a wave of late selling, but index closed 7.5 per cent up.								
Slovakia	SAX	163.63	164.73	165.60	286.64 21/3/97	163.63 14/1/98	na	na
Index pulled down mainly by losses in steelmaker VSZ.								
South Africa	JSE Gold	751.6♥	720.0	697.4	1588.10 27/2/97	678.10 5/12/97	2.74	12.9
	JSE Indl.	6964.1♥	6857.5	6715.1	9314.20 7/8/97	6716.10 12/1/98		
Sharp rises seen in platinum producers as precious metals prices hit 18-year highs on concerns over Russian supplies.								
South Korea	KoreaCmpEx**	475.13	463.74	458.30	792.29 17/6/97	350.68 12/12/97	2.58	13.2
Index see-sawed but ended higher in record volume on the back of strong foreign buying.								
Spain	Madrid SE	659.31	653.87	645.14	680.07 5/1/98	434.54 2/1/97	2.34	22.4
Santander put in strong performance as investors switched out of other banks.								
Sri Lanka	CSE All Share	(c)	699.20	(c)	869.70 31/7/97	606.70 2/1/97	na	na
Market closed for Tamil harvest festival.								
Sweden	AffarsvarldnGen	2933.2	2863.3	2853.1	3315.80 7/8/97	2378.50 2/1/97	1.85	20.5
Market closed with hefty gains, rebounding from losses seen in recent sessions.								
Switzerland	SMI Index	6149.8	6169.3	6062.1	6367.00 5/1/98	3922.90 7/1/97	1.14	23.4
	SPI General	3932.87	3840.5	3781.36	3972.97 7/1/98	2506.22 6/1/97		
Dow's weak early performance triggered profit-taking that eroded early gains.								
Taiwan	WeightedPr.**	7798.25	7513.24	7375.14	10116.80 26/8/97	6844.75 6/1/97	1.35	22.7
Electronics sector surged 6.2 per cent after Intel posted good earnings results, sparking big Nasdaq gains in the US.								
Thailand	Bangkok SET	367.69	348.96	339.17	858.97 22/1/97	264.20 24/12/97	6.7	9.2
Sharply stronger baht and reassurances from the US deputy treasury secretary encouraged foreign buying of blue chips.								
Turkey	IMKB Nat 100	3284.93	3413.93	3199.67	3711.40 5/1/98	995.08 2/1/97	1.59	22.4
Market cautious ahead of court verdict on whether to close down Islamist Welfare party.								
Venezuela	IBC	7419.59	7331.48†	7198.77	10817.10 17/10/97	6061.99 12/3/97	na	na
Zimbabwe	ZSE Industrial	8286.13	8283.68	8173.45	12082.80 5/8/97	6601.51 18/12/97	na	na
Demonstration against recent price increases tempered buying as did rumours, denied by government, of planned health tax.								
WORLD	FT/S&P World($)	(u)	245.60	242.08	268.47 7/10/97	216.61 14/4/97	na	na
	MS Capital Intl$	916.7*	909.0	898.5	981.80 31/7/97	794.50 14/4/97	na	na
CROSS-BORDER	Eurotrack 100	2693.74	2679.33	2662.62	2784.80 7/8/97	1893.80 2/1/97	na	na
	FTSE E100	2281.75	2270.72	2236.40	2377.06 5/1/98	1582.99 2/1/97	na	na
	HSBC JC Dragn	(u)	200.10	189.25	434.83 6/8/97	189.25 12/1/98	na	na
	ING Brngs Emrg	131.09	128.05	125.19	198.81 9/7/97	125.19 12/1/98	na	na

** Sat Jan 10: Taiwan Weighted Price (c); Korea Comp Ex 440.78. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Jan 14 - 4145.41 -4.80. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. ‡ Midsession.

NASDAQ NATIONAL MARKET

3:30 pm January 14

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp		151	4598	51⅞	51	51½	
Acclaim E			10172	4⅞	3⅝	4⅞	-⅛
Canon Inc x	0.54	25	90	119⅛	116½	118½	+⅞
CardinCm	1.08	15	91	38⅞	37⅞	38⅛	+⅛
Fitmet			5673	32⅞	30⅞	31	-1⅛
First Am	0.80	19	2101	47⅞	46⅛	46⅞	+⅞
Ladd Furn		21	76	15¼	14⅞	15	-⅛
Lam Rsch			19564	25¼	23¾	24½	-⅞
[illegible]							

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Orthdtc		45	257	12¾	12¼	12¾	+½
Oshap		51	3198	8⅞	8⅝	8⅞	+⅞
Recoton		18	3	13⅞	13⅞	13⅞	-¼
RegFinCp	0.80	17	3842	40⅛	38⅞	39¾	+1⅞
Regen			199	1⅛	1	1⅛	+⅛
Steel Tec	0.10	15	144	11½	11⅛	11⅛	+⅛
StokleyUSA			27	⅞	⅞	⅞	-⅛
StratN	0.50	9	364	19⅞	18¼	19½	-⅞
SunDyne		19	1202	23⅞	23⅝	23⅞	+⅛
Sumitomo B x	0.80	23	3	52	51⅞	51⅞	+5⅞
Summit Tc			1594	5⅞	5⅞	5⅞	+⅛
United St		20	405	44¾	44	44	+⅛
Unitog	0.15	16	18	22½	21½	21½	-⅛
Unitrin	2.40	25	562	61⅞	61	61⅞	+¼
US Energy			132	7⅞	7½	7½	-¼
US Servis			8	1½	1½	1½	-⅛
US Trst	0.60	26	287	60	58⅞	58½	-1⅞
[illegible]							

AMEX PRICES

3:15 pm January 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.25		59000	8.25	2.25	Innogenetics	US$28.875		290000	29.75	9.875
Algol	ITL13300	-50	0	13350	12450	Integr. Surg. Syst.	DEM7.7	+0.2	0	12.1	7.4
Artwork Systems	US$7		36550	11.125	5.875	Lernout & Hauspie	US$48.625	+2.5	27787	58.625	25
Chemunex	FF9.5		16120	18	9	Melexis	US$8	+0.0625	163992	9.125	7.1875
City Bird Holding	US$8.125		13530	8.25	6.8125	Mercer Int'l	US$8.625	+0.375	0	12.875	8
Deborah Holdings	GBP3	-0.05	15500	7.15	2.95	NTL	US$27.75	+0.5	2000	29	20.5
Dr Solomon's	US$32.875	+0.125	0	36.125	17	Option Int'l	US$12.125	+0.125	109029	12.375	10.375
EDAP TMS	US$8.9375		0	9.125	6.5	PolTech	US$3.125		3000	6.125	2.125
ESAT Telecom	US$16.0625	+0.4375	0	16.0625	13.25	Schoeller-Bleckmann	Sch1148	+30	2040	1692	900
Espace Prod. Int.	FF89.78	+0.05	300	117	89.83	Topcall Int'l	Sch6125	-70	550	6125	3065
Esprit Telecom	US$10.875		0	12.25	4.875	Turbodyne Technol.	US$3.18	+0.08	0	6.25	2.55
Gruppo Formula	ITL17200		0	22600	16400						

Prices for 14/1/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9960).

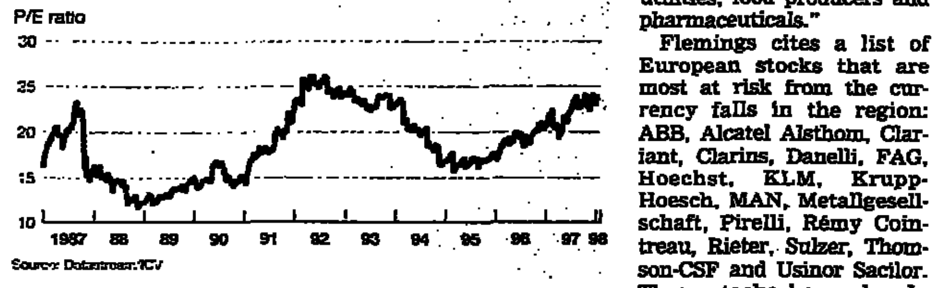
Recovery in Asia steadies bourses

WORLD OVERVIEW

A further recovery in Asian stock markets and currencies allowed a measure of calm to return to international financial markets yesterday, but no one was claiming the crisis was over, *writes Philip Coggan*.

Some reassuring comments from US deputy Treasury secretary Lawrence Summers as he toured the region, Indonesia's apparent commitment to economic reforms and an easing of interbank rates in Hong Kong all helped sentiment. Most Asian markets were higher and Hong Kong, Jakarta, Kuala Lumpur and Manila managed rises of 5-6 per cent.

S&P Composite



Source: Datastream/ICV

European markets edged higher on the back of the Asian advance but the markets are still clearly sorting out the effect of the crisis on the prospects for corporate earnings. A note from Flemings Research argued that "the full impact on earnings estimates is far from being discounted. Investors should continue to build weightings in defensive stocks such as utilities, food producers and pharmaceuticals."

Flemings cites a list of European stocks that are most at risk from the currency falls in the region: ABB, Alcatel Alsthom, Clariant, Clarins, Danelli, FAG, Hoechst, KLM, Krupp-Hoesch, MAN, Metallgesellschaft, Pirelli, Rémy Cointreau, Rieter, Sulzer, Thomson-CSF and Usinor Sacilor. These stocks have already underperformed the European benchmark by 12 per cent since August.

US investors have similar worries. "The US stock markets stands on the brink of the fourth-quarter reporting season," said Edmond Warner, global strategist at NatWest Markets.

"This could be the quarter when earnings expectations finally get a reality check. Downgrades are finally starting to appear, but only in year one. Long-term expectations remain massively too high," Mr Warner added. "Investors have already shown their willingness to punish stocks which fall short of expectations. We fear there may be many."

As the graph shows, the US stock market still trades on a rating that presumes healthy earnings growth.

London market, Page 30

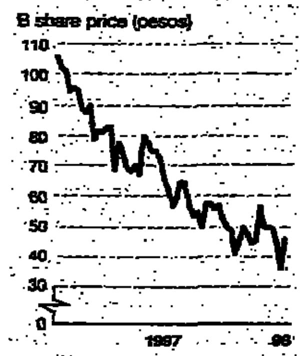
Manila firms on San Miguel bid hopes

A looming takeover battle for brewing group San Miguel, one of the Philippines' most famous corporate names, dominated trading in Manila yesterday.

The market gained nearly 6 per cent on news that First Pacific, a Hong Kong-based investment fund, is in talks to buy a 47 per cent stake in San Miguel.

Analysts said a deal could help to revive the stock market, which has been battered by Asia's currency crisis.

San Miguel



Source: Datastream/ICV

They also said that First Pacific's interest could sting San Miguel's founding Soriano family or a foreign company into making a counter-offer for the stake. However, all will depend upon the government's willingness to cede San Miguel to a foreign buyer.

San Miguel B shares, which are open to foreign investors, climbed 20 per cent, closing at 46 pesos, up 8.50 pesos on the day. The domestic A shares added 3.50 pesos to 36.50.

Interest centres on 47 per cent block of shares owned by a government commission.

Talk concerning First Pacific's interest was triggered last weekend when the group said it had bought a 2 per cent stake.

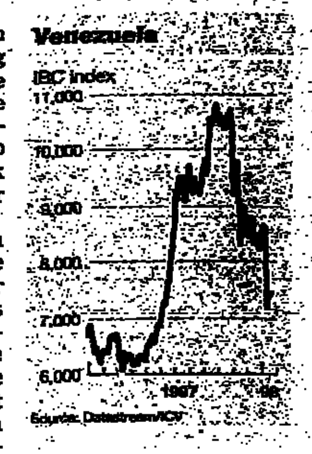
Elsewhere, blue chips posted gains, helped also by a rising peso. Metrobank gained 23 pesos to 233 pesos, while Ayala Land added 1 peso to 14.50 pesos.

MARKET FOCUS

Venezuela feels heat from Asia

Venezuela may have taken longer than other emerging markets to react to the Asian crisis, but when the reaction came it was dramatic. In the six days to Monday, the Caracas stock market dropped 17.5 per cent.

Venezuela



Source: Datastream/ICV

Although there has been some recovery for the benchmark IBC index over the past two days, it is clear that Venezuelan equities, which turned in the region's best performance in 1996 and one of the best last year, are once again overshadowed by uncertainty.

The fallout from the second wave of the Asian crisis exposed a number of cracks in Venezuela's economic foundations, all of them recurring headaches in this oil-rich economy: oil price dependency, currency overvaluation, and electoral uncertainty.

The backdrop for the crisis came when the price of Venezuela's oil basket dropped to $13.26. This was significantly short of the $15.50 budgeted for 1998. Oil accounts for 70 per cent of Venezuela's export earnings and for every dollar that the oil price falls, the government's annual revenue diminishes by $1bn.

Facing an election this year, the government will be hard put to maintain fiscal discipline. Many legislators expect it to water down $1.3bn of fiscal cuts sought to reduce inflationary pressure.

Amid this scenario investor confidence has been thoroughly shaken. The resulting perception, said one analyst, "is that the currency will not hold up". Not surprisingly, the central bank has been forced to draw heavily on its reserves in defence of the currency.

On Tuesday, it said it would allow the bolivar to depreciate at an increased rate this year, though still short of the expected inflation rate of 20 to 25 per cent. The reference rate, which guides central bank intervention, was Bs508.5 to the dollar. This will be allowed to depreciate by 1.28 per cent a month (15.36 per cent annually), against the previous target of 1.16 per cent. According to some estimates, the bolivar is overvalued by as much as 30 per cent.

In an attempt to reduce liquidity and prevent additional inflationary pressure, the central bank on Tuesday increased interest rates on short-term debt, offering 200 basis points above current T-bills. Yields in the secondary market for central bank stabilisation bonds jumped 400 basis points in response.

Yet some analysts consider the central bank's measures insufficient. "They're temporary," said Boris Molina, an analyst with Deutsche Morgan Grenfell in Caracas. "The currency will continue appreciating strongly [in real terms] making an eventual devaluation more likely."

Others are more optimistic about currency stability. One broker is marking down his year-end stock market forecast by no more than 5 per cent to a 25-30 per cent return in dollar terms. "Given current volatility, Venezuela has attractive prices," he said.

Raymond Colitt

Dow turns lower as techs disappoint

AMERICAS

Wall Street turned lower as the earnings reporting season gathered pace, modestly denting two days of strong rally, *writes John Labate in New York*.

By early afternoon the Dow Jones Industrial Average was off 20.18 to 7,711.95. The broader Standard & Poor's 500 index lost 2.83 at 949.29, while the Nasdaq composite index, which is weighted in technology shares, softened 4.96 to 1,536.67.

"We had the rally because we were so oversold last week," said Arthur Hogan, senior equity trader at Morgan Stanley. "Now that's done and people are taking a real hard look at what 1998 will look like."

Cautious statements by technology companies captured investors' attention. Intel, the leading semiconductor producer, beat consensus estimates for the fourth quarter, but said it expected a flat performance for the first quarter of 1998. Bear Stearns cut the company's rating, and Intel came off $2 7/16 at $74 3/4.

Also putting pressure on the tech sector was Advanced Micro Device, which fell $1/4 at $18 7/8 after an analyst cut its earnings estimate. The semiconductor index of the Philadelphia Stock Exchange was off more than 2 per cent to 261.56.

Other earnings due out this week include Apple Computer, Eastman Kodak, and General Electric.

Among Dow component shares, Philip Morris was down $1 1/16 to $46 13/16 and Eastman Kodak lost $2 1/4 at $59 1/16.

Banking stocks made solid gains as Treasury bond yields moved lower. Shares in BankAmerica rose more than 4 per cent to $67 15/16 while NationsBank gained $1 3/4 to $59 13/16. By early afternoon the long bond had gained 1/4 at 105 3/4, sending the yield lower at 5.712 per cent.

TORONTO had a muted morning session, taking its direction from Wall Street and paying scant heed to the continued rally for the heavyweight golds sector. The 300 composite index was up 8.31 at 6,337.90 at noon.

Golds stayed active, adding to the near 8 per cent gain racked up by the sector at the close on Tuesday. Barrick added a further 90 cents at C$25.10 and Placer Dome put on 45 cents to C$17.15. In contrast, banks were dull. Bank of Montreal came off 50 cents to C$59.75.

The broader market was mixed. Alcan Aluminium gained 55 cents to C$37.80 and BCE added 40 cents at C$46.75. Seagram retreated 80 cents to C$48.55.

São Paulo dips midway

Latin American centres traded quietly. **SAO PAULO** moved sideways in dull volume with the Bovespa index slipping 56 to 9,359 at midsession.

Interest in Telebrás was muted in spite of the news that the telecoms heavyweight plans to release its 1997 results next Monday. The shares came off 0.7 per cent at R$117.

MEXICO CITY also showed little change. "It's a directionless day so far. Asia is taking a back seat. Everyone's watching New York," said one broker.

The IPC index added 2.74 at 4,676.29 at midsession, having moved lower at the close on Tuesday after rumours about the ill health of Carlos Slim, the chairman of telecoms giant, Telmex.

Platinum producers surge

Johannesburg featured sharp rises in platinum producers as precious metals prices hit 18-year highs on concerns over Russian supplies. Anglo American Platinum rose R8 to R58.50 and Impala Platinum gained R4.75 to R39.75. The broad market put in a firm performance although investors remained cautious on worries over Asian uncertainties. The overall index gained 116.3 to 5,807.9. Golds jumped 32.8 or 4.6 per cent and industrials rose 106.6 at 6,964.1.

Search for new plays lifts Milan to fresh high

EUROPE

Records continued to tumble in **MILAN**, as the the Mibtel index ended the day 168 higher at an all-time best of 18,027, having touched an intraday record of 18,179 at midsession.

The market has gained more than 7 per cent in the first two weeks of 1998, helped by investors switching from low-yielding bonds into equities.

Enthusiasm for new issues continued unabated. Olivetti gained L89 to L1,482 after confirming it would launch a L670bn capital increase on Monday.

"Italian investors are desperate for new plays; that is why recent issues have been so successful," said Marco Nascimbeni at Merrill Lynch.

Elsewhere, insurers were mixed. La Fondiaria lost L84 to L9,842 on reports that reformist chief executive Roberto Gavazzi might resign. However, Generali was L1,000 better at L48,617 and INA gained L48 to L3,750 on well-received results.

FRANKFURT pulled back from its best levels as a faltering Dow overcame the benefits of a stronger dollar. The Xetra Dax index finished 4.60 easier at 4,145.41.

Against the trend, Adidas jumped DM10 to DM247 as the sportswear group was upgraded by both Commerzbank and Paribas on the improved outlook for the sportswear group's earnings after its merger with France's Salomon.

MAN fell DM22.70 to DM482.35 as Deutsche Morgan Grenfell cut its recommendation and reduced earnings forecasts as a result of the impact of the Asian financial crisis on the industrial group .

SAP advanced DM6.80 to DM579.50 as the software group said it planned to expand its workforce by up to 40 per cent this year. The company was also supported by Tuesday's news of better-than-expected earnings from Intel.

PARIS ended 16.87 higher at 2,919.80 on the CAC 40 index, lifted by the firming dollar and two-day rally in Asian markets.

SGS-Thomson had a busy session, roaring ahead to a peak of FFr360.7 immediately after the fourth-quarter results from Intel of the US but running into heavy profit-taking late in the session. The stock finished FFr9.10 higher at FFr337.1.

Banks were mixed. Société Générale added FFr22.00 to FFr730 as Asian fears became more muted and Paribas put on FFr10.00 to FFr524.

But BNP gave up early gains to close off FFr6.10 at FFr378.9. Michelin added another FFr5.80 to FFr295.6 as investors continued to warm to hopes for new tyre technology.

AMSTERDAM remained broadly higher with the AEX index improving 12.04 to 923.58 on another solid day for the dollar and financials.

Aegon led the latter higher, reaching a record high of Fl 198.70 before slipping back under pressure from the options pits where Aegon lots accounted for 7 per cent of the day's volume. The shares ended up Fl 3.40 at Fl 196.80.

Philips remained a good market, adding Fl 4.60 to Fl 120.80 for a two-day advance of 5.6 per cent.

ZURICH turned cautious as the session progressed and the SMI index turned back from an early high of 6,244.5 to close 19.5 lower at 6,149.8.

The pullback came as Bank Julius Baer issued a bullish note forecasting that the market would continue its liquidity-driven rally in coming months. It added that easing interest rates would encourage a to turn to equities for higher yields.

Zurich Group eased SFr6 to SFr686 as the company said it still intended to expand into Asian insurance and asset management in spite of the collapse of plan to buy into Hong Kong's Peregrine. Against the trend Swiss Reinsurance scored a good gain, adding SFr56 to SFr2,823.

Ciba Speciality Chemicals eased SFr1.25 to SFr170.50 and Clariant lost SFr10 to SFr1,242 as UBS reiterated buy recommendations on both stocks.

MADRID closed within a whisker of its all-time record, sustained by strength in selected stocks, notably Banco Santander. The general index closed at 659.31, up 5.44, just below its peak of 660.64 set on January 5.

HELSINKI rose 2.6 per cent, helped by further strength in heavyweight technology stock, Nokia.

The shares gained FM14 to FM394, helped by Intel's well-received fourth quarter positive earnings. The general index closed 86.26 higher at 3,372.28.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Nicholas Miller.

FTSE Actuaries Share Indices — European series

January 14

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	992.48	+0.62	+6.13	2.26	0.00	1000.46
FTSE Eurotop 100	2281.75	+0.49	+11.03	-	-	-
FTSE Eurotop 300 Regions						
300 UK	1002.50	+0.54	+5.42	3.18	0.00	1019.86
300 Ex-UK	987.36	+0.67	+6.54	1.73	0.00	990.16
300 Eurobloc	966.75	+0.72	+6.92	1.95	0.00	970.84
300 Ex-Eurobloc	1013.32	+0.55	+5.58	2.47	0.00	1024.18
FTSE Eurotop 300 Economic Groups						
Resources	907.47	+0.98	+8.83	3.03	0.00	920.61
General Industries	901.94	+0.58	+5.16	2.17	0.00	904.14
Consumer Goods	994.76	+0.12	+1.24	1.84	0.00	1005.50
Services	985.24	+0.20	+1.92	2.29	0.00	993.73
Utilities	1075.86	+0.77	+8.24	2.62	0.00	1090.00
Financials	1066.79	+0.98	+10.33	2.17	0.00	1072.95

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Tokyo rises on 'help' rumours

ASIA PACIFIC

Bargain-hunting and growing hopes that the Japanese government might implement further measures to lift the economy supported a 2.5 per cent rise in **TOKYO**, *writes Michiyo Nakamoto.*

The Nikkei 225 average climbed back over 15,000 for the first time in four sessions, gaining 366.04 to close at 15,121.98. The index fluctuated between 14,866.23 and 15,148.95.

News that the ruling party is to propose a plan to re-evaluate corporate land holdings, and thereby improve banks' capital bases, helped to lift market sentiment.

Furthermore, suggestions by Ryutaro Hashimoto, prime minister, that a one-off tax break might be extended, and news that he had instructed a key government member to study further economic measures, added cheer. The overnight rise in New York and the performance in other Asian markets also helped to lift sentiment.

Property companies were actively sought on news that banks might be allowed to revalue their land holdings at prevailing market prices. Mitsubishi Estate rose Y60 to Y1,350.

Banks also rose on the news. Industrial Bank of Japan rose Y11 to Y200 while Bank of Tokyo Mitsubishi gained Y80 to Y1,740 in heavy trading.

Mitsubishi Electric lost Y15 to Y288 on news that it will halt semiconductor memory chip fabrication in the US. The company's fall was in contrast to gains by blue-chip electronics companies such as Fujitsu, which added Y60 at Y1,450, and NEC, which rose Y40 to Y1,480.

CHANGES ON THE DAY

	% change
Singapore	+7.5
Kuala Lumpur	+6.5
Manila	+6.0
Hong Kong	+5.8
Jakarta	+5.7
Bangkok	+5.4
Taipei	+3.8
Seoul	+2.5
Tokyo	+2.5
Sydney	+1.6
Wellington	+1.0

Turnover rose to 409m shares against 389m on Tuesday. The broad-based Topix index climbed 27.49 points to 15,148.95.

In Osaka, the OSE Average gained 291.15 to Y14,753.64.

SINGAPORE continued to rally. In busy volume of 595m shares, the Straits Times index advanced 86.75 to 1,243.27 for a two-day gain of 15 per cent. This reversed a significant part of the 31 per cent setback suffered in the previous six sessions. DBS Bank rose 70 cents to S$12.00.

BANGKOK bargain-hunters focused on blue chips as the baht continued to rally. The composite SET index rose 18.73 or 5.4 per cent to 367.69 on Bt3.2bn turnover. The banking sector gained 6.2 per cent while communications rose 10.2 per cent. Bangkok Bank added Bt5.00 at Bt65.00.

HONG KONG moved sharply higher, encouraged by softer interbank rates and Wall Street's overnight rally; the Hang Seng index surged 506.55 to end at 9,226.55, off a high of 9,316.97.

China-linked stocks, hard hit in recent sessions, were back in favour. The red chip China-Affiliated Corporation index gained 7.6 per cent and H shares picked up 6.6 per cent.

JAKARTA shot higher on hopes that broad-based reforms were in prospect after government-IMF talks. The composite index ended 21.84 ahead at 403.98 in turnover that picked up to a higher than usual Rp605bn. Confidence was boosted by a sharp rise in the rupiah against the dollar.

Late demand for Telkom took the shares Rp50 higher to Rp3,275, pulling the index above the 400-point level.

KUALA LUMPUR rallied as the ringgit staged a sharp rebound and the composite index finished 32.79 higher at 536.68. Dealers said they saw renewed buying from overseas clients who had previously reduced their weighting in Malaysia.

SYDNEY closed higher on firmer resource stocks and news of Rio Tinto's share buy-back plans. The All Ordinaries index gained 40.0 or 1.6 per cent at 2,605.3 while the All Resources index rose 4 per cent. Rio Tinto jumped A$1.35 to A$18.30 in turnover of A$39m.